STUDIES IN PRACTICAL LIFE INSURANCE

HUDNUT

STUDIES

IN

PRACTICAL LIFE INSURANCE

AN EXAMINATION OF THE PRINCIPLES OF LIFE INSURANCE
AS APPLIED IN THE POLICIES, REPORTS, AGENCY,
AND OFFICE METHODS OF THE
NEW-YORK LIFE INSURANCE COMPANY

BY

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WITH A CHAPTER ON THE "PERSONAL AND PUBLIC ASPECTS OF LIFE INSURANCE"
BY DARWIN P. KINGSLEY, PRESIDENT OF THE COMPANY
AND AN APPENDIX CONTAINING THE MOST IMPORTANT SECTIONS
OF THE INSURANCE LAW OF NEW YORK

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References have occasionally been made to other publications by the Company—thus: "S. C. H."—Semi-Centennial History of the Company; "H."—History, 1895-1905; "T. H." —Temple of Humanity—a volume describing the Home Office and Home Office methods.

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STUDIES IN PRACTICAL LIFE INSURANCE

CHAPTER I.

THREE REPRESENTATIVE POLICIES—THEIR CONDITIONS AND BENEFITS

THE SCOPE OF THESE STUDIES.

THERE are plenty of text-books on life insurance and we do not intend to add to their number. On its theoretical side the subject is highly technical, and involves a considerable knowledge of the higher mathematics. Studied in the abstract it is apt to be very dry, and no one but a student, bent upon mastering his task, is likely to get through even a very simple text-book. Of course this should not deter students who have the time and inclination from undertaking the task, nor should it prevent the addition to college curricula of a course of study in life insurance.

But we have set for ourselves and our readers a very different task. While a few people need to understand the theory and practice of life insurance in its entirety, a very large number need to have such a knowledge of it as will enable them to insure wisely, to use intelligently as occasion may require the various options which the Policy contains, and to understand the relations which life insurance sustains to the state. When one understands a specific case, generalizations become comparatively easy, and the scientific study of the subject becomes more attractive; and we venture to hope that many who read these "Studies" will be led to pursue the study of life insurance on broader lines.

General Garfield tells us how, when he was elected a member of the Ohio Legislature, he attained a working knowledge of the government of the State. He reasoned after this manner: "Nothing can be done by a government without money; and so if I examine all the legal steps by which taxes are assessed, collected and expended, I shall know a good deal about the practical workings of the government of the State of Ohio." We propose to follow some such plan in the present work. The business of a life insurance company consists very largely in issuing policies of insurance and in carrying out the contracts thus made. If, then, we take up a few representative policies, consider all their clauses and follow them through all possible phases of their history—showing what the Company receives on account of them and what it does with the money—we shall know something practical about life insurance. Here, then, is a copy of the Ordinary Life Policy of the New-York Life Insurance Company, as issued in 1911:

NEW-YORK LIFE Insurance Company

By This Policy of Insurance Agrees to Pay

. . . . *TEN THOUSAND* . . . . Dollars
at the Home Office of the Company in the City and State of New York
to . . . . *MARY DOE, WIFE OF THE INSURED* . . . .
beneficiary , with right of revocation, upon
receipt at said Home Office of due proof of the death, during the continuance of this contract,
of . . . . *JOHN DOE* . . . . the Insured.

This contract is made in consideration of the first premium of . *Two Hundred eighty-one 10/100* . . Dollars, the receipt of which is hereby acknowledged, constituting payment for the period terminating on the . *FIRST* . day of . . *JULY* . . in the year Nineteen Hundred and *TWELVE* and the payment of a like sum on said date and on the . . *FIRST* . . day of . . *JULY* . . . in every year thereafter during the continuance of this Policy, until the death of the Insured.

THIS POLICY SHALL PARTICIPATE IN THE SURPLUS OF THE COMPANY.

The proportion of divisible surplus accruing on this Policy shall be ascertained and distributed annually and not otherwise, and at the option of the Insured shall each year, on the anniversary of the Policy, be either

(1) Paid in Cash; or,
(2) Applied toward the payment of any premium or premiums; or,
(3) Applied to the purchase of participating Paid-up Additions to the Policy; or,
(4) Left to accumulate to the credit of the Policy, with compound interest at the rate of three per centum per annum, and payable at the maturity of the Policy, but withdrawable on any anniversary of the Policy.

Unless the Insured shall elect otherwise within three months after the mailing by the Company of a written notice requiring the election of one of the four above options, the dividends shall be applied to the purchase of participating Paid-up Additions (Option No. 3) which may be surrendered for cash at any time, and the Cash Value thereof shall not be less than the original cash dividend.

The benefits and provisions printed or written by the Company on the following pages, are a part of this contract as fully as if they were recited at length over the signatures hereto affixed.

After delivery of this Policy to the Insured, it takes effect as of the . . . *first* . . . day of . *July* . Nineteen Hundred and *eleven*.

In Witness Whereof the NEW-YORK LIFE INSURANCE COMPANY has caused this contract to be signed this . . *first* . . day of . *July* . . Nineteen Hundred and *eleven*.

Secretary. *President.*

Examined,

PAGE 1 OF POLICY

Registrar.

AGE....35....: INSURANCE PAYABLE AT DEATH: PREMIUMS PAYABLE DURING LIFE: ANNUAL DIVIDEND. 910 - 444.

BENEFITS AND PROVISIONS.

1. **THE CONTRACT.**—This Policy is free of conditions as to residence, travel or occupation. The Policy constitutes the entire contract between the parties, and no agent is authorized to waive forfeitures or to make, modify or discharge contracts, or to extend the time for paying a premium.

2. **INCONTESTABILITY.**—This Policy shall be incontestable after one year from its date of issue except for non-payment of premium.

3. **SELF-DESTRUCTION.**—Self-destruction during the first policy year, whether the insured be sane or insane, is a risk not assumed by the Company; but in such case the Company will return the premiums actually received.

4. **AGE.**—If the age of the Insured has been misstated the amount payable hereunder shall be such as the premium paid would have purchased at the correct age.

5. **PAYMENT OF PREMIUMS.**—All premiums are payable at the Home Office of the Company or to an agent of the Company upon delivery of a receipt, on or before the date due, signed by an Executive Officer of the Company, namely, the President, a Vice-President, a Second Vice-President, a Secretary or the Treasurer, and countersigned by said agent. The premium is always considered as payable annually, in advance, but by agreement in writing and not otherwise may be made payable in semi-annual or quarterly payments. Any unpaid premiums required to complete the payments for the current policy year in which death occurs shall be deducted from the amount payable hereunder. The payment of a premium shall not maintain the policy in force beyond the date when the next payment is due, except as hereinafter provided.

6. **GRACE.**—A grace of one month (not less than thirty days) subject to an interest charge of five per centum per annum will be allowed for the payment of every premium after the first, during which time the insurance shall continue in force. If death occurs within the period of grace the unpaid

10. **ASSIGNMENT.**—Any assignment of this Policy must be made in duplicate and one copy filed with the Company at its Home Office. The Company assumes no responsibility as to the validity of any assignment.

11. **CASH LOANS.**—At any time after two full years' premiums have been paid and while this Policy is in full force, the Company will advance, on the pledge of the Policy and on the sole security thereof, an amount which with interest thereon to the end of the current policy year and with any unpaid portion of said year's premium, shall, at the option of the owner, be equal to or less than the Cash Surrender Value at the end of such policy year, including the Cash Surrender Value of any dividend additions. Interest on the loan will be at the rate of five per centum payable annually; if interest is not paid when due, it shall be added to the principal and bear interest at the same rate. Failure to repay any such advance or to pay interest shall not avoid this Policy unless the total indebtedness hereon to the Company shall equal its Cash Surrender Value, nor until one month after notice of such fact shall have been mailed by the Company to the last known address of the Insured and of the Assignee of record at the Home Office of the Company, if any, in which event the Policy shall become void.

12. **PREMIUM LOANS.**—Whenever the net loan value of this Policy shall be sufficient to pay one full annual premium with five per centum interest thereon for one year, the Company will, before the expiration of the days of grace, accept a premium lien note of the owners of the Policy in lieu of cash for premium, said note to be a lien against the Policy and subject to the same terms and conditions as cash loans except that the Policy need not be deposited with the Company as a pledge. The total indebtedness on this Policy, however incurred, shall never exceed its Cash Surrender Value.

13. **PAID-UP AND ENDOWMENT OPTIONS.**—Whenever the reserve on this Policy together with the reserve on existing dividend additions, if any, at the end of any policy year shall equal or exceed the net single premium for the attained age of the Insured by the American Experience Table

premium for the then current Policy year shall be deducted from the amount payable hereunder.

7. **CHANGE OF BENEFICIARY.**—When the right of revocation has been reserved, or in case of the death of any beneficiary under either a revocable or irrevocable designation, the Insured, if there be no existing assignment of the Policy made as herein provided, may while the Policy is in force, designate a new beneficiary, with or without reserving right of revocation, by filing written notice thereof at the Home Office of the Company accompanied by the Policy for suitable endorsement thereon. Such change shall take effect when endorsed on the Policy by the Company and not before. If any beneficiary shall die before the Insured, the interest of such beneficiary shall vest in the Insured.

8. **PRIVILEGE OF CHANGE TO OTHER FORMS OF POLICIES.**—At any time, and while in full force, and provided the Insured is then less than 60 years of age, this Policy may be changed without medical re-examination for a Policy of the same amount, upon any plan issued by the Company at the time this Policy takes effect and having a higher rate of premium. Such change shall be effective upon payment of a sum equal to the difference between the premiums on the new Policy and the premiums paid on this Policy, with compound interest at the rate of five per centum per annum from the due date of each payment to the date when the change is made, and upon the surrender of this Policy. The new Policy will take effect as of the date of this Policy, and the premium will be based upon the same age as this Policy. The cash value of any dividends standing to the credit of this Policy, as well as any additional cash value of such dividends that would have been credited under the new Policy may be used in the settlement of the difference of premiums.

9. **REINSTATEMENT.**—At any time after any default, upon written application by the Insured and upon presentation at the Home Office of evidence of insurability satisfactory to the Company, this Policy may be reinstated, together with any indebtedness in accordance with the loan provisions of the Policy, upon payment of arrears of premiums with interest thereon at the rate of five per centum per annum.

of Mortality and interest at three per centum, for an amount of insurance equal to the face amount of this Policy, payable at the same time and under the same conditions as this Policy, the Company, at the written request of the Insured, will endorse the Policy as participating paid-up insurance for such amount as the said reserve will purchase when thus applied, any indebtedness to the Company to be a lien against said paid-up insurance upon the same terms and conditions as in Section 11 above; or, whenever said reserve at the end of any policy year shall equal or exceed the face amount of this Policy, the Company, upon surrender of the Policy and all claims thereunder, will pay in cash the face amount of the Policy and any excess of said reserve, less any indebtedness to the Company on account of this Policy.

14. **BENEFITS ON SURRENDER OR LAPSE.**—After two full annual premiums shall have been paid, the owner may elect within three months after any default in payment of premium, but not later, either

(*a*) To accept the Cash Surrender Value; or,

(*b*) To have insurance for the face amount of this Policy plus any dividend additions and less any indebtedness to the Company hereon continue in force from the date of default for such term in years and months as the Cash Surrender Value will purchase as hereinafter provided, but without future participation and without the right to loans or Cash Surrender Value; or,

(*c*) To purchase non-participating Paid-up Insurance payable at the same time and on the same conditions as this Policy. The Insured may at any time obtain a loan on such Paid-up Insurance in accordance with the provisions contained in Section "11, Cash Loans", or surrender the Policy for its Cash Surrender Value.

The Cash Surrender Value, after premiums have been paid for two years or more, will be the reserve on this Policy, omitting fractions of a dollar per thousand of insurance, and the reserve on any dividend additions thereto, at the date of default, computed according to the American Table of Mortality and interest at the rate of three per centum per annum, less the amount of any indebtedness to the Company, and less a surrender charge which, in no case shall be more than one and one-half per centum of the sum insured; after premiums have been paid for ten years or more, there will be no surrender charge.

BENEFITS AND PROVISIONS—Continued

The Term for which said insurance will be continued, or the amount of **Paid-up Insurance** will be such as said Cash Surrender Value will purchase as a net single premium at the age of the Insured at the date of default according to the American Table of Mortality and interest at the rate of three per centum per annum. If the Insured shall not, within three months after default, surrender this Policy to the Company at the Home Office for its Cash Surrender Value as provided in option (*a*) or for paid-up insurance as provided in option (c), the insurance will be continued as term insurance as provided in option (*b*).

The figures contained in the following "Table of Loan and Surrender Values" represent the actual amounts available after deduction of the surrender charge, if any, and are computed in accordance with the above provisions and upon the assumptions that premiums have been paid in full for the number of years stated in the table, and that there is no indebtedness on the policy, and that there are no outstanding dividend additions.

TABLE OF LOAN AND SURRENDER VALUES.

The Cash Surrender, Loan and Paid-up Insurance values stated in the following table apply to a policy of $1,000. As this Policy is for $*10,000*, the Cash Surrender Value and Loan Value (Col. 1), and the Paid-up Insurance (Col. 2), will be *TEN TIMES* the amounts stated in the table; the periods of Continued Insurance (Col. 3) must not be multiplied or increased.

AFTER POLICY HAS BEEN IN FORCE	COLUMN 1. CASH SURRENDER VALUE. LOAN VALUE.*	COLUMN 2. PAID-UP LIFE INSURANCE.	COLUMN 3. $ *10,000* INSURANCE CONTINUED FOR Yrs. Mos.
2	$ 13	$ 29	1— 5
3	32	72	3— 7
4	44	96	4—10
5	58	126	6— 4
6	72	155	7— 9

(2) By the payment of equal annual instalments for a specified number of years, the first instalment being payable immediately, in accordance with the following Instalment Table, either to the beneficiary, or if there be more than one beneficiary, to the beneficiaries jointly and to the survivor.

(3) By the payment of equal annual instalments for a fixed period of twenty years and for so many years longer as the beneficiary shall survive, the first instalment being payable immediately, in accordance with the following Instalment Table. If there be more than one beneficiary, the proceeds of this Policy, unless otherwise directed in said notice, shall be considered as divided into equal parts. The amount payable to each such beneficiary, shall be determined in accordance with the following Instalment Table for the ages attained by said beneficiaries.

Any instalments payable under (2) or (3) which shall not have been paid prior to the death of the beneficiary shall be paid, unless otherwise directed in said notice, to the beneficiary's legal representatives or assigns.

INSTALMENT TABLES.—Instalment payments under any option may be made annually, semi-annually, quarterly or monthly; the minimum basis of such payments will be $50 when paid annually, $25 when paid semi-annually, $15 when paid quarterly, or $10 when paid monthly, and the total of the fractional payments each year shall equal the annual payment each year as shown in the following tables, which are based upon a Policy, the proceeds of which are $1,000. The figures contained in the table will apply pro rata to this Policy.

OPTION (2)		OPTION (3)					
Number of Annual Instalments	Amount of Each Annual Instalment	Age of Beneficiary at death of Insured	Amount of Each Annual Instalment	Age of Beneficiary at death of Insured	Amount of Each Annual Instalment	Age of Beneficiary at death of Insured	Amount of Each Annual Instalment
2	$507.39	0	$42.48	25	$43.16	50	$56.60
3	343.23	1	40.17	26	43.49	51	57.29
4	261.19	2	39.38	27	43.84	52	57.98

7	90	190	9— 4
8	108	223	10— 9
9	127	256	12— 0
10	146	289	13— 0
11	162	316	13— 8
12	179	343	14— 3
13	197	369	14— 8
14	215	395	15— 1
15	233	420	15— 4
16	251	444	15— 6
17	270	468	15— 7
18	289	492	15— 8
19	308	514	15— 8
20	327	537	15— 8
21	347	558	15— 7
22	366	579	15— 5
23	386	599	15— 3
24	405	619	15— 1
25	425	638	14—11

Values for later years will be computed upon the above basis, and will be furnished on request.

*The Loan Values in the above table are the maximum amounts available at the end of the policy year indicated. Loans may also be obtained during the policy year as set forth in Section 11 entitled "Cash Loans".

15. MODES OF SETTLEMENT UPON DEATH OF INSURED.

If there be no existing assignment of the Policy made as herein provided, the Insured or in case the Insured shall have made no election, the Beneficiary after the Insured's death, may by written notice to the Company at its Home Office, elect to have the net sum payable under this Policy upon the death of the Insured paid either in cash or as follows:

(1) By the payment of interest at the rate of three per centum of such net sum, payable one year after receipt and approval of proofs of death, and at the end of each year thereafter during the lifetime of the beneficiarv and, unless otherwise directed in said notice, by the payment upon the death of the beneficiary of the said net sum, together with any accrued interest for the year then current, to the beneficiary's legal representatives or assigns.

5	211.99	3	39.06	28	44.20	53	58.66
6	179.22	4	38.93	29	44.58	54	59.32
7	155.83	5	38.91	30	44.98	55	59.96
8	138.30	6	38.96	31	45.39	56	60.58
9	124.69	7	39.05	32	45.82	57	61.16
10	113.81	8	39.19	33	46.27	58	61.72
11	104.92	9	39.35	34	46.73	59	62.23
12	97.53	10	39.52	35	47.22	60	62.71
13	91.29	11	39.70	36	47.73	61	63.15
14	85.94	12	39.88	37	48.25	62	63.54
15	81.32	13	40.08	38	48.79	63	63.89
16	77.29	14	40.28	39	49.36	64	64.20
17	73.74	15	40.49	40	49.94	65	64.45
18	70.59	16	40.71	41	50.54	66	64.67
19	67.78	17	40.94	42	51.17	67	64.85
20	65.25	18	41.18	43	51.80	68	64.98
21	62.98	19	41.42	44	52.45	69	65.09
22	60.91	20	41.68	45	53.12	70	65.16
23	59.04	21	41.95	46	53.80	71	65.21
24	57.32	22	42.24	47	54.49	72	65.23
25	55.75	23	42.53	48	55.19	73	65.25
		24	42.84	49	55.89	AND OVER	

Unless otherwise specified by the Insured or by the beneficiary in making such election, the beneficiary may at any time surrender the contract guaranteeing the payment of instalments for the commuted value of the payments yet to be made, computed upon the same basis as Option (2) in the above table; provided that no such surrender will be made under (3) except after the death of the beneficiary occurring within the aforesaid twenty years.

The above Modes of Settlement are based upon an assumed interest earning of three per centum, but if in any year the Company shall declare for that year on funds held by it under such Modes of Settlement a greater interest rate than three per centum, the sums payable under Options 1 and 2 and the instalments for the fixed period of twenty years under Option 3, shall be increased accordingly.

The above Modes of Settlement are not applicable if the beneficiary be a firm or corporation, nor if the net sum payable under the Policy shall be less than $1,000.

10401

REGISTER OF CHANGE IN MODE OF PAYMENT OF PROCEEDS UNDER THIS POLICY.

NOTE.—Changes of mode of payment and revocation of any change, must be requested in writing and shall not take effect until endorsed on this Policy by the Company at the Home Office.

DATE ENDORSED	HOW PAYABLE	ENDORSED BY

New York Life Insurance Company

John Doe

No. *0,000,000*

Amount $

Annual Premium $

Notice: It is not necessary for the Insured or the Beneficiary to employ the agency of any person, firm or corporation, in collecting the Insurance under this Policy, or in receiving any of its benefits. Time and expense will be saved by writing direct to the Home Office, 346 and 348 Broadway, New York City.

PAGE 4 OF POLICY

ORDINARY LIFE—910-444

REGISTER OF CHANGE OF BENEFICIARY.

NOTE.—No change, designation, or declaration shall take effect until endorsed on this Policy by the Company at the Home Office.

DATE ENDORSED	BENEFICIARY	ENDORSED BY

10401

Rather a formidable document isn't it? Well, such policies used to be much briefer, and as we go on to examine this one we shall find that the reason why a life policy now contains so many words is because it promises so much—it provides for so many contingencies. So let that encourage us to go on and examine it clause by clause. In a palace there are many rooms, and all have their uses—it is only the hovel that is so simple that it can be taken in at a glance.*

The first thing to be noted is that by this Policy the Company promises to pay ten thousand dollars on the receipt of proof of the death of the Insured, during the continuance of the contract; that it takes effect as of July 1, 1911, after the delivery of the Policy; and that the consideration is $281.10 cash in hand, and the same amount to be paid on the first day of July in every year thereafter during the continuance of the Policy.

Now we are getting down to business—*how does the Company know that the amount named as consideration will enable it to perform its part of the contract?* This is the nub of the whole matter, and if our readers will follow us carefully here they will begin to understand both the theory and the practice of life insurance.

The Tools We Must Use.

Perhaps a word should be said just here about technical terms. They are the tools we must work with, and it is necessary for the reader to understand them and fix them in mind—just as he does the technical terms in Arithmetic, Grammar, Algebra or Geometry. It will be noted, for example, that the contract under consideration is called in general a Policy, specifically an Ordinary Life Policy; that the money paid for it is called a Premium; that the person whose life is insured is called the Insured; and the person to whom the Policy is payable at the death of the Insured is called the Beneficiary. These terms are in universal use—in the contract, in the law, in the official reports—and all have exact and definite meanings. We shall see later that there are various kinds of Policies and Premiums; it is sufficient now to know that the Ordinary Life Policy is a Policy that insures during the entire life and upon which premiums are payable annually, semi-annually or quarterly during life. The premium here named is the gross, or office premium—that is the premium that must be paid to the Company. We shall find farther on that the gross, or office premium consists of two parts—the "net premium" for the payment of death-losses and the "loading" for expenses, taxes and contingencies. We shall find that there is a net annual premium and a net single premium. We must also fix in mind the principles of interest and discount. We shall frequently find it necessary to compute the present value of money to be paid at some future time or times. Every time a new term is used, its meaning should be fixed in mind before going farther.

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*While the contract is long, there are only twenty-seven written words and twelve written figures in it. In the heading to the "Table of Loan and Surrender Values", it will be noted how a table for a policy of $1,000 is adjusted to a policy of $10,000 by the addition of two written words, and five written figures. The form of the policy is the result of much study, so that the writing of it may be done quickly and with the least possible chance of error. The work is done on special typewriters at an average cost of less than five cents per policy.

The Death-Rate Determines the Cost.

The age of the Insured under this Policy is 35 years. Now, we know, as a matter of observation, that of men aged 35 some die soon and some live long, and it is by knowing how rapidly a large number of men aged 35 will die off that the Company knows how it can afford to make such a contract as this. This knowledge is embodied in Tables of Mortality. These tables show the approximate death rate at each age among a large number of persons. A mortality table usually begins with 100,000 lives at age 10, and shows the number of deaths in each year until all are dead.* It is evident that if we know what the death rate will be in any year of life we can tell what it will cost to insure against the contingency of death in that year. For example, if among 81,822 persons living at age 35, 732 will die during the next year, then the average risk will be 732 divided by 81,822, and the net cost of insuring each man for $1,000 will be this fraction multiplied by 1,000. In the same way the net cost of insurance in each year of life may be obtained. In practice the "age" is taken at the nearest birthday.

The Level Premium Is Best.

But there are various reasons why year-by-year insurance is not suitable for human life. In the first place, the risk is liable to deteriorate very rapidly, and if a company had the right to cancel a risk—as in fire insurance—the man who was about to die might find himself suddenly without insurance. If, on the other hand, the company did not have this right, the impaired risks would all renew while more or less of the best risks would not, and the company would experience an abnormal death-rate. Second, year-by-year insurance would involve a yearly increasing cost until, in old age, the cost would become prohibitory. The safest, most satisfactory and most successful form of life insurance is that which insures for the whole life, or for a term of years, and so adjusts the cost that the Insured is required to pay the same amount every year.†

This complicates the problem of ascertaining what is a proper charge for such a contract as the foregoing. We see at once that if the Insured is to pay

*The story of the formation of tables of mortality is a long one and can not be gone into here, but it will be of interest to note that the discovery of the law of mortality is usually attributed to Edmund Halley, Astronomer Royal of England, who in 1692 constructed from the death registers of the City of Breslau, in Silesia, the first complete table of mortality. In 1815 Joshua Milne constructed the Carlisle Table from the records of the City of Carlisle, England. This table was the first used in this country. In 1843 the Actuaries', or Combined Experience, Table was constructed from the mortality experience of 17 English life companies; and in 1867 the American Table was constructed chiefly from the experience of the Mutual Life Insurance Company, by Sheppard Homans, then Actuary of that company. (At the American Life Underwriters' Convention of 1860, Mr. Homans reported that vitality statistics had been promised by 22 companies and received from 13.) The two latter are those now used in this country. Most of the State Insurance Departments use the Actuaries' Table in the valuation of policy liabilities, but the tendency of late has been toward the American Table.

†Of course, we do not overlook the various attempts which have been made, and are constantly being made, to furnish life insurance at current cost by co-operative, and fraternal, societies. A history of these attempts and the present condition of these societies is the best comment upon the statements made above. Most of the co-operative societies have died out. The social bond has made the fraternal orders more enduring, but they are experiencing the inevitable increase in cost which threatens their extermination or the freezing out of the older members.

the same each year, he will pay more than the current cost during the early years of his Policy and less than the current cost during its later years—if he lives to old age. Consequently there will be an accumulation of these early overpayments which may be kept at interest, and the amount necessary will be affected by the rate of interest that may be earned. This complicates the matter still farther. Now, we might say—there must be some amount which, if paid every year by men insuring at age 35, and the early overpayments increased by compound interest, would be exactly sufficient to pay each man's policy as it matured. We might then say that this amount according to the American Table of Mortality with interest at 3% is $21.08 per $1,000 insured, and that this is the net premium used in the foregoing Policy, and that the balance, $7.03 per $1,000, is the "loading" for expenses, taxes and contingencies.

While all this would be true, it would not be quite satisfactory—if we are going to make any pretence of *Studying Life Insurance;* and while we do not propose to go through the operation of calculating the net premium, we think *the method of doing it* may be so outlined that the ordinary reader will grasp the principles upon which the computation proceeds. This can be done without the use of any algebraic formulae; we need not perform the long arithmetical calculations; all that is necessary is to follow the reasoning and accept our assurances as to the figures which would result if the calculations were performed.

Finding the Net Single Premium.

Let us assume, then, that we wish to insure for $1,000 each as many men as the American Table of Mortality shows to be living at age 35. This number is 81,822, and of this number 732 will die during the next year. Premising that in life insurance calculations the premiums are supposed to be paid at the beginning of the year and that death-losses are supposed to be paid at the end of the year in which they occur, our first operation is to find what sum in hand at the beginning of the year, improved by 3% interest, will pay $732,000 at the end of the year. This is a simple operation and may be performed by dividing $732,000 by $1.03, or by multiplying it by the decimal .970874.* This will give $710,-679.77, and this is the *present value* of $732,000 to be paid one year hence. This amount in hand at the beginning of the year would therefore provide for the death-losses of the first year.

At the beginning of the second year there are 81,090 living and the number of deaths in the second year will be 737. There will therefore be $737,000 to be paid in death-losses at the end of the second year. What amount must we have in hand to provide for that? Obviously such an amount as will produce $737,000 if kept at interest for two years—in other words the *present value* of $737,000 due two years hence. Now we might compute the amount of one dollar at the end of two years with interest at 3% and use that as a divisor; but we will take a shorter cut. Tables of compound interest and discount are in common use, and one will be found on page 107. They have been made to lighten our labors.

*This decimal is the present value of $1 due one year hence, interest being computed at 3 per cent. It is obtained by dividing $1 by $1.03 the amount of $1 at the end of one year with interest at 3 per cent. By adding interest at 3 per cent. to $1.03 we get the value of $1 at the end of two years, and by using this as a divisor we get the present value of $1 due two years hence. When we understand the principle we may use the table on page 107.

We understand them and could make one ourselves if we chose; so we will do as Mr. Emerson said he did when he went from Boston to Concord—he used the bridge over the Charles River, instead of swimming the river. By these tables the present value of one dollar to be paid two years hence is, interest being assumed at 3%, $0.942596; the present value of $737,000 due two years hence will therefore be the product of this sum multiplied by this fraction, or $694,-693.25. We have now found the *present value* of the death-claims to be paid at the end of the first and second years; we might perform similar operations for all the following years until the last survivor dies at age 96. Having done that and added together all the results we would have the *present values* of all the death-claims to be paid upon 81,822 persons insuring for $1,000 each at age 35. If we should do this we would get as a result $34,355,666.83, an average of $419.88 and a fraction for each person insured. This latter amount is called the *net single premium,* and if each of our 81,822 persons were to pay that amount at age 35, and the Company received interest on accumulations at 3% per annum, and there were no expenses, it would be able to pay all losses at the end of the year in which they occurred.

Finding the Net Annual Premium.

But no one—or hardly any one—wishes to pay for a whole life insurance by one sum. He wants to pay for it by yearly instalments; so our next problem will be to find a yearly instalment from each of the living that will be the equivalent of $419.88 cash in hand. Of course we know it will require more than one dollar a year—but let us see how far one dollar a year will go towards it. If each of our 81,822 persons pay one dollar we shall have $81,822 to start with. At the beginning of the second year there will be 81,090 living, and from these we will get $81,090, the present value of which is $78,728.17. At the beginning of the third year there will be 80,353 living, from whom we will receive $80,353, the present value of which is $75,740.42. In like manner we may find the *present values* of one dollar paid at the beginning of each year by the living until all are dead. When we have found these amounts and have added them together we shall have a total of $1,629,648.77, which is the *present value* of one dollar per year from each person as long as he lives.* We have already seen that, in order to insure each one for $1,000, we must secure *present values* to the amount of $34,355,666.83; therefore each must pay annually as many times one dollar per year as 1,629,648.77 is contained times in 34,355,666.83. Performing the division we get $21.08; therefore each must pay annually $21.08; and this is the *net annual premium.*

Proving Our Figures.

In order that we may have a demonstration of the correctness of these figures, and for other purposes, we have prepared a table, which will be found

*If we divide this sum by 81,822—the number of persons contributing it—the quotient will be $19.917. This is the present value of an **Annuity Immediate** of $1 for age 35. It is distinguished from an Annuity proper by the fact that it begins with $1 cash, while an Annuity proper begins at the expiration of one year. The present value of an Annuity proper of $1 is always $1 less than the present value of an Annuity Immediate. Tables have been worked out showing these values for all ages, and knowing how they are obtained, we may hereafter use the figures of the tables.

on page 108, in which the operation of receiving the net annual premium from each person living at the beginning of the year, adding interest for the year, and paying the claims of those who die is carried on until all are dead. This table will serve several purposes: (1) It shows the sufficiency and the necessity of the net annual premium; (2) it shows the magnitude of the interest factor in life insurance; (3) it shows the necessity of large accumulations; (4) it shows what amount the company must have on hand at the end of each year for each $1,000 of insurance taken at age 35 under an Ordinary Life policy. This latter amount is known as the Terminal net value, or the reserve.

These are the questions that are constantly arising in discussions of life insurance problems. If a company is really going to insure lives it must charge an adequate premium, and what is an adequate premium depends upon the death-rate and the rate of interest. No mortality table can foretell the exact death-rate even among a large number of persons; but it is necessary to have a standard and to conform to it. The American Table is founded upon the experience of American life companies, and has been found to be a safe guide in the insurance of life. It represents a mortality somewhat higher than any well-managed company ought to experience, thus leaning towards the safe side in providing amply for death-losses. Savings from mortality are easily returned in the form of dividends, while a deficiency might be fatal to the company. In life insurance it is always necessary to remember that "a surplus is more easily handled than a deficit".

The rate of interest assumed in calculating the net premium of the Policy under consideration is three per cent., and it will be seen that the lower the interest rate the higher the premium. The assumption of a low rate of interest—that is, a rate that is sure to be earned and one that is at present exceeded—is therefore a safe method. A life contract may run for fifty years and many changes may take place; the safe way is to put it on a safe basis and adjust it to actual conditions as they arise.* The excess of interest over three per cent. can be returned in dividends just as is the saving from mortality.†

Some Important Deductions.

The Table shows the necessity of large accumulations in regular, or reserve, life insurance, and a study of it should convince any one of the unreasonableness of the prejudice that exists respecting such accumulations. A life insurance

*It will be seen later on that if a man insured at age 25, lived to age 75, and left the proceeds of his policy to a daughter aged 25, who in turn lived to age 75, the same presumption as to interest rate would need to hold good for 100 years.

†Early premiums of the New-York Life were based upon the Carlisle Table with interest at 4 per cent. Later the American Table was used with interest at the same rate. In 1892 the American Table with interest at 3½ per cent. was adopted. The American 3 per cent. was adopted for certain policies in 1896, and at a later time for all new policies. The Table and rate of interest established by law for the valuation of policy liabilities has had to be kept in mind. Massachusetts first enacted such a law in 1859 and adopted the Actuaries' Table with 4 per cent. interest. New York adopted the American Table with interest at 4½ per cent. in 1860, and changed to the Actuaries' Table with 4 per cent. in 1880. The latter is now used to value policies issued prior to January 1, 1901; policies issued subsequent to that date are valued by the American Table with interest at 3½ per cent., except that a company may issue policies on a 3 per cent. basis and have them so valued. See Sec. 84, Insurance Law of New York, given on page 120.

company issues its contracts agreeing to do certain specific things and is held to a rigid accountability in the fulfilment of its contracts. The carrying out of these contracts involves certain definite accumulations and the Company makes them. The careless critic sees that they are large and at once assumes that they are larger than is necessary, and that larger dividends should be paid. The politician sees in them a source of revenue for the State and advocates heavier taxes. The student of these figures will see that these large accumlations are necessary to carry out the contracts made, and the State law requires the Company to keep on hand these amounts.*

We have now found that any number of persons may be insured at age 35 at a net annual premium of $21.08, and that this net premium together with interest on accumulations at 3% per annum will pay all death-losses as they occur. In the same manner we may find the net annual premium for each age. But note this—each age takes care of itself, because it is there that the law of mortality operates—not upon the average age. For example: if a company were organized for each age and insured the number living by the mortality table at that age, it is plain that the net premiums and interest received by each such company would exactly pay the death-losses of each. The company composed of young policy-holders could not help the company composed of old policy-holders. Each would provide for its own death-losses. But having charged each man the cost of insuring at his own age, there would be no injustice in putting all ages together and putting all the money into one fund and paying the losses of all ages from it. Each man pays for his own risk and each policy is paid at maturity. This is what is done in a life insurance company.†

The Loading for Expenses, Taxes and Contingencies.

Having satisfied ourselves that $21.08 per year from persons insuring at age 35 will pay the death-losses of all such persons as they occur, we now take up the subject of "loading". The gross premium charged in this Policy is $28.11, showing that the loading is $7.03, or 33 1/3% of the net premium. This charge is to cover expenses, taxes and contingencies. Here again, it is desirable to provide enough, and any surplus arising from this source—as well as from excess of interest and from mortality savings—is available for distribution in dividends. It is also necessary, in order to cover contingencies, to have a surplus. No one would wish to insure in a company that had only just enough funds to cover its actual liabilities.

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*See Sec. 84, Insurance Law in Appendix. The abatement of the full amount during the first four years will be discussed later.

†Sub-standard risks are insured under various plans—by charging an extra, by rating them at a higher age than the actual age, or by putting them in a special class and apportioning surplus on the basis of the actual mortality experienced.

The bearing of this table upon co-operative, or assessment, insurance should not escape the attention of even the casual reader. The point is—cost of insurance is determined by age, and any system that fails to take account of this fact and to provide adequately and scientifically for it, is only laying up trouble for itself and disappointment for its adherents. Average age is no guide to the cost of insurance. For example, the death-rate per 1,000 at age 35 is 8.95 and at age 70 it is 61.99. The death-rate among 2,000 persons, 1,000 of each age, would therefore be $\frac{8.95 + 61.99}{2} = 35.47$. Their average age, however, would be 52½, and at age 53 the death-rate per 1,000 is only 16.33. As the death-rate increases more rapidly than the age the death-rate among a large number of persons of different ages will always be higher than the death-rate at the age corresponding to the average age.

While the distribution of surplus is the next thing provided for in the Policy, that subject will be more easily understood after other policy features have been discussed.

We will retain the numbering of clauses used on pages 2 and 3 in the Policy, but will group the various benefits and provisions according to subject matter.

The Contract—Its Integrity—Its Good Faith.

Sections 1, 2, 3, 4.

1. *The Contract.*—It seems superfluous to say that the Policy is free of conditions as to residence, travel, or occupation, and that it constitutes the entire contract, when no such conditions appear, and no other paper is referred to as a part of the contract. But such conditions and such references have been so much used in life policies until recently that it seems necessary to emphasize their omission. Under former conditions the insured needed copies of the application and medical examination in order to have the entire contract. The following States still require a life company to furnish the Insured with copies, not only of the application and medical examination, but also of every paper signed by the Insured in connection with the issue of the Policy: Colorado, Illinois, Indiana, Massachusetts, North Dakota, Ohio, Oklahoma, Washington. The restrictions and the warranties formerly contained in the application and medical examination, while apparently necessary in the earlier stages of the business, opened the door to endless litigation. Restrictions were gradually relaxed until they were finally abandoned by the leading companies, and when the State of New York adopted a standard Policy in 1907, restrictions were allowed for only one year. By the amended law in effect January 1, 1909, certain standard provisions were substituted for the section prescribing standard policy forms.*

2. *Incontestability.*—The early policies were contestable for many causes. When the incontestable clause was first introduced it usually specified what the Policy would *not* be contested for. The present form states the causes for which the Policy may be contested and excludes all others. The causes allowed under the New York Law are non-payment of premium, and violation of conditions of the Policy (if it contains any) relating to military or naval service in time of war. The maximum limit in the law is two years. According to the ruling of at least one court, a Policy incontestable from date of issue may always be contested for fraud, but if it is incontestable after a specified time the presumption is that, the company having had opportunity to discover fraud—if there was any—and bring action to annul the contract, is estopped from pleading fraud after the time limit expires.†

Under a New-York Life Policy incontestability means that if the person

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*The New-York Life began the issue of unrestricted policies in 1892, S. C. H. 303. The standard provision of the New York law on this point is as follows: Sec. 101, "3. A provision that the policy shall constitute the entire contract between the parties, but if the company desires to make the application a part of the contract it may do so provided a copy of such application shall be endorsed upon or attached to the policy when issued, and in such cases the policy shall contain a provision that the policy and the application therefor shall constitute the entire contract between the parties."

†Reagan vs. Union Mutual Life Ins. Co. 189 Mass. 555.

insured is the person examined (that is, if there was no substitution), if he is really dead, and if the Policy was in force according to its terms when death occurred, it will not be contested.*

3. *Self-Destruction.*—All the early policies contained a clause making them null and void with forfeiture of all payments to the Company in case of suicide, and under this clause much litigation arose.† It was sometimes impossible to determine whether the Insured came to his death by his own hand, by accident or by the hands of others. The sanity of the deceased was sometimes in doubt, and the injustice of contesting the payment of a Policy long in force was apparent. The subject was treated by different companies in different ways; some States made laws on the subject. The strenuous competition of 1892-1905 did much to liberalize the practice of companies on this and other points. The New York Standard Life Policy of 1907 allowed a restriction of liability by reason of suicide during one year; the "standard provisions" enacted in 1909 made the maximum term two years. As the New-York Life's incontestable clause takes effect one year from date, the period of its limited liability in case of self-destruction is made to correspond. That there may be no forfeiture of money the Company returns the premium paid in such cases.‡

4. *Age.*—Of all methods of adjustment in case of misstatement of age this seems fairest. There is no penalty—simply an adjustment of the real risk to the actual amount paid. Three other methods have been used: if the age was understated (1) consider it fraud, or (2) require payment of difference in premium with interest; (3) if age was overstated return excess payments with interest. The first was harsh and unjust; the second was to the Insured in the nature of paying for a dead horse; under the third the Insured did not receive for a part of his money what he intended to purchase—namely, insurance. The method here used is simple, direct, and its fairness is apparent.

Contract Changes—of Beneficiary—to Other Forms. Sections 7, 8 and 13.

7. *Change of Beneficiary.*—Next in importance to the question of being insured at death is the question, to whom shall the insurance be paid? It will be noticed that this Policy is made payable "to the wife of the Insured with right of revocation". It might have been made without such right—the Insured has his choice. It might be in favor of a child or other dependent whose dependence would be only temporary. Experience has shown that policies with the right of revocation provide for more contingencies than those without it. Unless the Insured gives up the right, the Policy is always under his control.

8. *Privilege of Change to Other Forms of Policies.*—There are sometimes "misfits" in life insurance. The "best Policy to take" depends upon circum-

*The first incontestable clause used by the New-York Life was adopted in June, 1889, and became operative after two years. In 1892 a one year clause was adopted, and in 1899, an incontestable-from-date-of-issue clause was adopted. (S. C. H. pp. 250, 303, II. p. 30). The present one year clause was adopted in 1907, in order to comply with the Massachusetts statute.

†The New-York Life eliminated the suicide clause from its policies in 1850, but it was retained by many companies until 1892 and after.

‡For other historical data see S. C. H. 35, 161, note.

stances and circumstances change. The young man who needs all the insurance he can carry at Ordinary Life rates insures under an Ordinary Life Policy. By and by he is making big money and he would like to pay up his insurance within a definite period, or perhaps change to an Endowment Policy. This clause gives him the privilege provided he is under 60 years of age.

10. *Assignment.*—The Insured may wish to pledge his Policy for some temporary purpose; in that case an assignment may be used instead of changing the beneficiary. The Company assumes no responsibility for the validity of any assignment—but pays it to whoever may be adjudged to be the owner at maturity.

13. *Paid-up and Endowment Options.*—By reference to the table on page 108 it will be seen that the reserve on the Policy constantly approximates the face of the Policy and reaches it at age 96. Sometimes a policy-holder lives that long. The New-York Life had one such case in 1908, one in 1909, and one in 1911, and although there was no such stipulation as this in the contracts the Company paid the policies to the living. They were insured until the plan on which they were insured was complete and the face of their policies was in the Company's hands.

In our examination of the net premium we found that a certain amount in hand, called the net single premium, would pay all future death-loss charges on the Policy. Now it sometimes happens, when the Insured uses his dividends to purchase paid-up insurance, that the reserve on the face of the Policy, together with the reserve on the dividend additions, equals the net single premium long before age 96. In that case the policy-holder would have the right to have his Policy endorsed as paid-up and no more premiums need thereafter be paid. This is an additional inducement to use dividends in this way—the first being that they continually add to the insurance carried under the Policy.

Keeping the Contract in Force.
Sections 5, 6, 12, 9 and 14.

5. *Payment of Premiums.*—We come now to *the specific duty of the policy-holder*—the one thing he has to do under this Policy in order to make it effective—he must pay the premiums as stipulated—if he wishes the Policy to go on as contemplated. We saw in our examination of the premium rate that this is payable yearly in advance, hence the treatment of unpaid quarterly and semi-annual premiums at death will be readily understood. The meaning of the last sentence in this clause is that when the time expires to which a premium is paid some other provision of the Policy must come into operation if it is to be kept in force. We shall see later what these other provisions are. Premium payments are facilitated in this way: Policy-holders living in the vicinity of the Home Office pay their premiums there. The Company has Branch Offices in the principal cities of the country, and the territory is parceled out among them. At least fifteen and not more than forty-five days before a premium falls due a notice is sent to the Insured, *in accordance with the Law of New York State,* notifying him that a premium on his Policy will fall

due on such a day, where it may be paid and the renewal receipt obtained.* In some cases policy-holders are notified that they may pay premiums at certain banks. The purpose is to make the payment of premiums as convenient as possible.

Men insure their lives because life is uncertain, but as soon as a contract is made to insure life it is seen that many other things are uncertain, and that the contract must provide for these things if it is to do what men really wish to have done when they insure. If the Insured pays his premium as agreed the contract goes on, but the thoughtful man asks—What if I fail to pay it on the day it is due? The first answer is—

6. *Grace.*—The provision is practically a loan—automatically made by the Company at five per cent. interest. It may run a month, if desired, and if the premium falls due in February the month is considered as including thirty days. The interest charge and the deduction of the year's premium in case of death during the month simply carry out the plan upon which the premium rate is calculated.† The practice of the New-York Life is, as soon as the month of grace begins to notify the policy-holder of that fact; to call his attention to the interest charge; and to state the date upon which the month of grace will expire. After the expiration of the month of grace, if the premium remains unpaid, a letter is sent by the Premium Cashier at the Home Office, or by the Cashier of the Branch Office where the premium is payable—as the case may be—urging its payment and saying: "If you find it inconvenient to do this, kindly let me know what amount of cash you can remit, and how long a time you will need to meet the entire amount, and I may be able to suggest some plan by which you can keep your Policy in force." What plan would be suggested would depend upon conditions, but every indulgence is granted consistent with the rights of both parties to the contract.

12. *Premium Loans.*—One of the methods used is set forth in this section. It provides for a loan to the amount of the premium due without the deposit of the Policy and without the formalities incident to obtaining a regular policy loan. The Company simply requires that the loan and interest shall not exceed the total cash surrender value of the Policy.‡

9. *Reinstatement.*—The three foregoing sections provide methods of keeping the Policy in force when it is impossible to pay the premium at the time it falls due. This section supposes the Policy to have lapsed for non-payment by any of these methods. Even if it had no surrender value it would be better to have it reinstated than to take a new Policy, because it is so much nearer the non-forfeiture stage and the larger cash values. If therefore the insured furnishes evidence of insurability satisfactory to the Company and pays the back premiums with interest, his Policy is placed in the same position as if it had not lapsed. Systematic and persistent efforts are made to induce men to reinstate lapsed Policies.

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*Insurance Law, Sec. 92—Appendix.

†Over two hundred thousand premiums were paid directly to the Home Office in 1909 and the amount of interest received on premiums thus paid during the month of grace was over $8,000. T. H. 97.

‡The total amount of Premium Loans of all companies in the United States on December 31, 1909, was $27,242,938.

14. *Benefits on Surrender or Lapse.*—We have now considered every available method of keeping the Policy in force on the original basis. Suppose all these fail—what then? Suppose the time comes when the Insured either wishes the value of his Policy in cash or in insurance, without the payment of any more money. This section, together with the "Table of Loan and Surrender Values" on page three of the Policy shows what he would receive, provided he had paid two or more years' premiums. These benefits are based upon the fact that the Policy has a certain cash value and that this value may be taken either in cash or in insurance; and if in insurance it may be either for the face amount of the Policy during a limited period, or for a smaller sum of insurance which will continue until death. The option of continued insurance for the face amount of the Policy is made automatic if no choice is made. It is assumed that if the Insured has any choice he will exercise it; but that if he has no choice, or is unable to make it by reason of illness, absence or forgetfulness, then continued insurance for the larger amount will best protect his interests.

The Cash Surrender Value and the surrender charge will be treated of in connection with our examination of the "Table of Loan and Surrender Values".

The Contract as a Bank Credit.

Section 11.

11. *Cash Loans.*—Section eleven provides for cash loans. This assumes that the premiums continue to be duly paid, and that the cash surrender value of the Policy is drawn against somewhat as a bank account might be, or as one might borrow at the bank by pledging bonds or stocks as collateral security. This was first allowed by law in New York in 1892. Prior to that time Premium Notes might be received by the Company for a part of the premiums falling due, but the Company was not permitted to loan money on its own contract obligations, although they might be very valuable. Comparatively few Policies were issued with provisions for cash surrender value, except after a period of ten years or more; hence the Insured might have much money locked up in his Policy and yet be unable to avail himself of any portion of it in a time of need.*

Loan and Surrender Values—Surrender Charge.

We will now consider how the loan and surrender values, the amounts of paid-up insurance and the time limits on term extension are arrived at. Turning to page 108 it will be seen from the last column of the Table that the Company has on hand at the end of each year for each $1,000 insurance of this kind a certain amount of money called the reserve fund, or the reserve. The various values guaranteed in the Policy and shown in the "Table of Loan and Surrender Values" are based upon the amount of the reserve held by the Company for each $1,000 insurance at the end of various years.

*The amount of Policy Loans by all companies in the United States on December 31, 1909, was $419,033,530. The amount thus loaned by the New-York Life Insurance Company was nearly $70,000,000. The Policy Loan Division of the Home Office consists of a Superintendent and a clerical force of thirty-seven persons. Over 80,000 cases are handled in a year. The Policies deposited as collateral security are cared for by the Division of Policy Loan Securities, consisting of a Superintendent and a clerical force of twenty-nine. The Division has the exclusive use of a fire-proof vault 29 x 30 x 12 feet, furnished with steel cabinets.

In making up this Table the Company has been governed by three considerations—the equities of the case, the non-forfeiture laws of the various States and the practice of other companies. It might be said, the equities of the case should be a sufficient rule; but equity is a relative term here and has been established by changing custom. Under life Policies as originally issued, no cash value or paid-up insurance was promised; if the premium was not paid as agreed the Policy lapsed and all payments thereon were forfeited. But usage soon bettered the contract—the companies began to give paid-up insurance and to pay surrender values; then they promised them in the policies; and then the States began to enact laws governing surrenders.*

It has been assumed from the beginning that the insuring company is entitled to a "surrender charge" if the Insured asks for the value of his Policy in either cash or insurance—unless he has been insured during a considerable period of time. No law has ever required a surrender value of any kind unless at least two years' premiums have been paid. No State now requires non-forfeiture provisions until three years' premiums have been paid, but all allow companies to pay surrender values earlier at their option. Canada, on the other hand, requires policies to be non-forfeiting after three years and does not allow the issue of policies guaranteeing surrender values until three years' premiums have been paid. The laws of every State base the surrender value upon the reserve, either by a specified standard or by the standard upon which the Policy is issued, and all allow a surrender charge,—that is to say, a deduction is allowed to be made from the reserve and the balance is the cash value which may be either received in cash or used to purchase paid-up or temporary insurance. The surrender charge allowed under most State laws is 2½% of the amount insured. In one State it is 3% of the insurance. Sometimes it is 20% of the reserve or a percentage of the insurance, whichever is greater; in one State it is 20% of the reserve; and in Massachusetts it is "5% of the present value of the future net premiums which by its terms the Policy is exposed to pay in case of its continuance". While these laws are not always applicable to the companies of other States, it is desirable to keep within the limits they prescribe. The reason for allowing a surrender charge is that the Insured has entered into a contract which has cost the Company considerable money to secure; that the contract gives the Insured the right to stay in the Company for life—the Company cannot withdraw from it; that those who choose to withdraw are likely to be the best risks, while those who are conscious of any impairment of health are likely to remain to claim the benefit of their contracts. Life insurance can only be carried on by the co-operation of many persons; all enter into the plan of co-operation upon equal terms, all known inequalities being adjusted in the contract. But the contingencies against which they insured begin to happen immediately—some die, the health of others becomes impaired. Those who withdraw must make good to those who remain the loss thus caused. The surrender charge is supposed to represent this loss, or the cost of securing a new member in place of the one who withdraws.

*For early history on this subject see S. C. H. pp. 58-63.

Computing Paid-up Insurance Values.

Having stated the law and the facts we now come back to the Table in the Policy under consideration to see how they are harmonized. Under the laws the Company is not required to allow a surrender value during the second year, and is not allowed to do so in Canada. In the States, however, practically one-half of the reserve is allowed as a surrender value after two years' premiums have been paid. The reserve in this case is $26.13, the cash or loan value is $13 per $1,000. The amount of paid-up life insurance shown in "Column 2" for this year is the amount which, according to the law, as applied to other years, the cash value will purchase used as a net single premium at the attained age of the Insured. The attained age here is 37 years, when the net single premium per $1,000 is $435. We have then the proportion—$435 : $1,000 :: $13 : $29.

The same general rule is applied in determining the time for which the insurance will be continued under option (b), but not quite so easily. The cash value is used as a net single premium but the time cannot be determined by a single proportion. The present values of the cost of insurance must be calculated year by year until the money is used up. The Insured is now aged 37. At age 37 the risk of death is the number dying in that year divided by the number living at the beginning of the year according to the Mortality Table, or $\frac{742}{80{,}353}$. This gives the decimal .009234; therefore for an insurance of $1,000 one must pay 1,000 times this decimal or $9.23. Discounting this for one year at 3% we have $8.96, which carries the insurance for one year. Only $4.03 now remains. By a similar process we shall find the cost of $1,000 insurance at age 38 to be $9.41, the present value of which, discounted at 3% for two years is $8.87. For less than one year the proportional method may be used, and we have 8.87 : 12 :: 4.03 : 5.4. As the Company is giving more than the law requires the nearest full month is used.

At the end of the third year we have a cash value of $32 and the insurance is extended three years and seven months. We may verify this in the same manner. We begin now with age 38. The process may be outlined as follows: Divide the number dying by the number living to get the probability of dying; multiply this decimal by 1,000 to get the cost of insuring $1,000 during that year; multiply the result by the present value of $1 due in the required number of years. The result will be the present value of the cost of insurance for that year. Continue this process until the sum of these present values exceeds the sum you have to expend. Take the sum of all except the last and subtract it from the sum you have to expend and use the remainder as a factor of the proportion with the present value of the cost of insurance for that year. It works out as follows:

1st year $\frac{749}{79{,}611} \times 1000 = 9.41$ present value $9.14

2d year $\frac{756}{78{,}862} \times 1000 = 9.586$ present value 9.04

3d year $\frac{765}{78{,}106} \times 1000 = 9.79$ present value 8.96

4th year $\frac{774}{77{,}341} \times 1000 = 10.01$ present value 8.89

The sum of the first three of these terms is $27.14, and this deducted from $32 leaves $4.86. We then have the proportion: 8.89 : 12 :: 4.86 : Answer 6.6.

Therefore $32 cash in hand at age 38 will extend an insurance of $1,000 for a period of three years and seven months.*

The Surrender Charge Examined.

Beginning with the third year the maximum surrender charge—and hence the minimum cash value—is fixed by law, but a company may make the charge less and the value more if it choose, and this is done here. The following table shows the reserve at the end of the different years up to the tenth, fractional parts of the dollar being omitted, the cash value, the surrender charge and the percentage of the surrender charge to the reserve:

Year	Reserve	Cash Value	Sur. Charge	%
3	$39	$32	$7	17.9
4	53	44	9	17.0
5	68	58	10	14.7
6	82	72	10	12.2
7	98	90	8	8.2
8	113	108	5	4.4
9	129	127	2	1.6
10	146	146		

It will be seen that the surrender charge begins in the third year at 17.9% of the reserve or less than 1.5% of the amount insured—the maximum surrender charge stated in the Policy—and gradually diminishes until at the end of the tenth year it disappears entirely. The amounts in "column 2" and the time in "column 3" are found for other years in the same manner as before.

It only remains to be shown that the surrender charge is within the terms of the Massachusetts law. When three years' premiums have been paid on an Ordinary Life Policy beginning at age 35, the Policy is exposed by its terms to pay net annual premiums in the same proportion that a man aged 38 is exposed to receive an annuity. The present value of such premiums is therefore obtained by multiplying the amount of the net premium $21.08 by the value of an "annuity immediate" of $1 at age 38. This value is $19.125 and the product is $403.16. The surrender charge allowed in this case is therefore 5% of $403.16, or $20.16, which is greater than the surrender charge made in the Policy.

We may in the same manner find the surrender charge for other years. For example, at the end of the 6th year we would have the present value of $1 annuity immediate at age 41 (18.265) multiplied by $21.08=$385.03, 5% of which is $19.25. In the same manner we should find the surrender charge allowable at the end of the 10th year to be $17.93. As the legal surrender charge begins with a larger amount than the surrender charge actually made and decreases more slowly, it will always be larger.

Paying Death-Losses—Equivalent Values.

We have turned aside into many by-paths—suppositions of what the Insured may do, and guarantees of what the Company will do in such and such cases—

*In actual office work tables are used which show the present value of extending insurances at any age for one year, two years, etc. The above shows the principles upon which such tables are based.

but we have always come back to the main road, and now we are almost home. We are almost to the end—an end which comes to every man whether he is insured or not—for now we are to consider—

15. *Modes of Settlement upon the Death of the Insured.*—The Policy is payable on its face to a Beneficiary named and in cash, but this Beneficiary may have been changed, or an assignment may have been made. If there is an existing assignment of the Policy it is paid to the assignee in cash as his interest may appear. If there has been a change of Beneficiary that fact will appear in its proper place on page 4. If the Insured has selected any other mode of payment than cash, that will also appear on page 4. The modes other than cash which the Insured may select while living, or, in default of such selection, which may be selected by the Beneficiary after the Policy becomes a claim, will now be considered.

(1) This mode provides that the Beneficiary receive interest on the net sum payable, during her lifetime, and that the principal be paid to her legal representatives or assigns. This is similar to the provision in a will that a wife receive interest on a certain sum during her lifetime, which becomes a part of the residuary estate at her death.

(2) This mode distributes by instalments the entire value of the Policy, including interest on the unpaid portion during the years in which the distribution is made. This will therefore require a little examination. The question is—For $1,000 in hand how much should the Company pay each year for two years, three years, four years, etc., money being worth 3%? In short how did the Company arrive at the figures in "column 2" under this option? In order to pay $1 now and one dollar one year hence we must have in hand $1 plus the present value of $1 due one year hence, or $1.970874; and if this amount will enable the Company to pay two instalments of $1 each, $1,000 in hand will enable it to pay as many dollars as 1.970874 is contained times in 1,000. Making the division we get 507.39. To get the amount for any other number of years, we have only to add to $1 the present values of $1 due in as many years as the required number of payments less one and use the sum as a divisor as before. For example, the sum of the first four amounts in the table of present values of $1 on page 107 is $3.7171. Adding $1 for the first payment and dividing 1,000 by the sum gives $211.99, the amount to be paid annually for five years.

Twenty Instalments Certain and Annuity.

(3) This option provides for twenty payments certain, and for an annuity of an equal amount as long as the Beneficiary may survive thereafter. First we will consider the twenty annual payments certain. Let us see how much will be required to pay $1 in cash and $1 at the end of one year, two years, etc., up to nineteen. We may add to $1 the present values of $1 at the end of each year up to nineteen, or we may take from the proper column on page 107 the present value of $1 per annum for nineteen years and add this to $1. By either method we get $15.324.

Now we must find the sum in hand necessary to pay $1 per year during the remaining years of the life of the Beneficiary—if she should live beyond

the twenty years. The Insured under the present Policy is aged 35. If the Beneficiary is two years younger and the Insured should die at age 50, the Beneficiary if living would then be age 48. When twenty annual instalments have been paid the Beneficiary—if living—will be 68 before another instalment will be due. First we ascertain how many will outlive the twenty years. The number living at age 48 (in the American Table) is 71,627, at age 68 it is 43,133. What amount must we have on hand for each of the 71,627 at age 48 in order to pay $1 per year for life to each one of the 43,133 who will be living at age 68? We will first ascertain what amount we must have on hand twenty years hence and then discount it for twenty years. When we considered the subject of net annual premium we first found the present value of $1 per year paid by the number living according to the mortality table from the age of insurance until the end of life. It is obvious that the present value of $1 each year to *be received by the living* will be the same as the amount of $1 per year to be paid by the living. The present value of $1 per year to or from each of the living from age 68 to the end of the table may be obtained as explained in the former case, or we may take the value of an Annuity Immediate from the table at age 68 ($8.381) and multiply it by the number of the living at that age (43,133). By either method we shall get $361,497.67, which is the sum necessary to pay $1 each to 43,133 persons aged 68 and $1 per year for each year of life thereafter. Discounting this at 3% for twenty years gives $200,152.58. Dividing this amount by 71.627 the number living at 48 gives $2.794.

This, then, is the amount which must be on hand for each person at age 48 to pay $1 each annually for life to those living at age 68. We have already found that the sum in hand necessary to pay $1 annually for twenty years is $15.324. Adding these two amounts together we have $18.118—which is the sum we must have in hand in order to pay twenty annual instalments of $1 each and an annuity of $1 per year to the survivors of those living at age 48 when the payment of instalments begins. But we have on hand $1,000, therefore we can make the instalment and the annuity as many dollars as 18.118 is contained times in 1,000, which is 55.19, the amount shown in the table.

Value of the Instalment Option.

The wisdom of making a life Policy payable in instalments, or of the Beneficiary choosing such a method of receiving the proceeds of a maturing Policy is coming to be widely recognized. The Beneficiaries are not usually persons who are accustomed to making investments, and the Policy often represents their all. They seldom need the full amount of the Policy at once—but need just sufficient to cover current expenses. Under these options their money is safely kept and interest is paid on the unused portion, and almost every conceivable contingency is provided for—*except that of a Policy too small to provide for large needs! That can be remedied only by the Insured before he dies.*

It will be noted that under certain circumstances payments will be made semi-annually, quarterly, or monthly, if desired. When payments are made

oftener than once a year no additional interest is allowed on this account. The use of the money compensates the Company for drawing two, four or twelve checks instead of one. The beneficiary has the benefit of safety and regularity of income. Provision is made for a rate of interest in excess of 3% in case the Company shall declare a higher rate upon funds so held. Policies upon which there is an existing assignment, those under which the Beneficiary is a firm or corporation, and policies under which the net sum payable is less than $1,000 are paid in cash.*

How Dividends May Be Used.

It will be noted that the guarantees of the Policy under consideration relating to dividends are the following: that it shall participate in the surplus of the Company; that the portion of divisible surplus accruing on this Policy shall be ascertained and distributed annually; and that this dividend shall be available at the option of the Insured in either of four ways, which are fully set forth in the Policy itself. A few comments may be helpful. Options one and two are practically the same, except in the case of policies upon which the premiums have all been paid. Under option three the dividend would be used to purchase paid-up insurance at the net single premium rate plus a loading which is the equivalent of $2 annually per $1,000 of the insurance so purchased. To the net single premium is added the present value of an annuity immediate of $2 beginning at the attained age. This gives the premium rate at which the paid-up insurance is purchased. Under option four dividends become in effect deposits with the Company at interest, withdrawable on any anniversary of the Policy. The Insured does not lose the dividend by failing to exercise his choice, as in that case option three takes effect automatically. In other words if no choice is made the Company adds the value of the dividend to the Policy in the form of paid-up insurance. This is on the assumption that the Insured wishes the whole value of his Policy to be in the form of insurance—which course is most advantageous to his estate in case of death.

We have now explained in detail every provision of the Ordinary Life Policy except the one last referred to—relating to dividends. As the method of apportioning surplus to Ordinary Life Policies involves the business transacted under other policy forms, we will defer a discussion of this method until other policy forms are explained. We will now take up the

Limited-Payment Life Policy.

The following is a copy of the Twenty-Payment Life Policy, as issued by the Company in 1911:

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*In order to facilitate the payment of death-losses, blanks to be used in furnishing proof of death are furnished the family of the Insured by Branch Offices upon request. At the same time the Home Office is notified. Here the matter is taken up by the Death-Loss Division, which immediately collects from the different bureaus all available information respecting the Policy of the Insured necessary to determine three things (1) whether or not the Policy was in force; (2) what amount is due under it; (3) who are the legal beneficiaries. This information is arranged in order in a file awaiting the arrival of proof of death, when the matter is at once taken up for completion. About 8,000 death-losses are paid annually, involving in 1910 the disbursement of over $23,700,000.

NEW-YORK LIFE Insurance Company

By This Policy of Insurance Agrees to Pay

. . . . *TEN THOUSAND* . . . . Dollars at the Home Office of the Company in the City and State of New York to . . . . *MARY DOE, WIFE OF THE INSURED* . . . . beneficiary , with right of revocation, upon receipt at said Home Office of due proof of the death, during the continuance of this contract, of . . . . *JOHN DOE* . . . . the Insured.

This contract is made in consideration of the first premium of . *Three Hundred eighty-three 40/100* . Dollars, the receipt of which is hereby acknowledged, constituting payment for the period terminating on the . *FIRST* . day of . . *JULY* . . in the year Nineteen Hundred and *TWELVE*, and the payment of a like sum on said date and on the . . *FIRST* . . day of . . *JULY* . . . in every year thereafter during the continuance of this Policy, until premiums shall have been paid for *TWENTY* full years from . *JULY FIRST* . Nineteen Hundred and *ELEVEN* or until the prior death of the Insured.

THIS POLICY SHALL PARTICIPATE IN THE SURPLUS OF THE COMPANY.

The proportion of divisible surplus accruing on this Policy shall be ascertained and distributed annually and not otherwise, and at the option of the Insured shall each year, on the anniversary of the Policy, be either

(1) Paid in Cash; or,

(2) Applied toward the payment of any premium or premiums; or,

(3) Applied to the purchase of participating Paid-up Additions to the Policy; or,

(4) Left to accumulate to the credit of the Policy, with compound interest at the rate of three per centum per annum, and payable at the maturity of the Policy, but withdrawable on any anniversary of the Policy.

Unless the Insured shall elect otherwise within three months after the mailing by the Company of a written notice requiring the election of one of the four above options, the dividends shall be applied to the purchase of participating Paid-up Additions (Option No. 3) which may be surrendered for cash at any time, and the Cash Value thereof shall not be less than the original cash dividend.

The benefits and provisions printed or written by the Company on the following pages, are a part of this contract as fully as if they were recited at length over the signatures hereto affixed.

After delivery of this Policy to the Insured, it takes effect as of the . . . *first* . . . day of . *July* . Nineteen Hundred and *eleven.*

In Witness Whereof the NEW-YORK LIFE INSURANCE COMPANY has caused this contract to be signed this . . *first* . . day of . *July* . . Nineteen Hundred and *eleven.*

Secretary.

President.

Examined,

PAGE 1 OF POLICY

Registrar.

AGE....*35*....: INSURANCE PAYABLE AT DEATH: ...*Twenty*...PREMIUMS: ANNUAL DIVIDEND. 910-445.

BENEFITS AND PROVISIONS.

1. **THE CONTRACT.**—This Policy is free of conditions as to residence, travel or occupation. The Policy constitutes the entire contract between the parties, and no agent is authorized to waive forfeitures or to make, modify or discharge contracts, or to extend the time for paying a premium.

2. **INCONTESTABILITY.**—This Policy shall be incontestable after one year from its date of issue except for non-payment of premium.

3. **SELF-DESTRUCTION.**—Self-destruction during the first policy year, whether the insured be sane or insane, is a risk not assumed by the Company; but in such case the Company will return the premiums actually received.

4. **AGE.**—If the age of the Insured has been misstated the amount payable hereunder shall be such as the premium paid would have purchased at the correct age.

5. **PAYMENT OF PREMIUMS.**—All premiums are payable at the Home Office of the Company or to an agent of the Company upon delivery of a receipt, on or before the date due, signed by an Executive Officer of the Company, namely, the President, a Vice-President, a Second Vice-President, a Secretary or the Treasurer, and countersigned by said agent. The premium is always considered as payable annually, in advance, but by agreement in writing and not otherwise may be made payable in semi-annual or quarterly payments. Any unpaid premiums required to complete the payments for the current policy year in which death occurs shall be deducted from the amount payable hereunder. The payment of a premium shall not maintain the policy in force beyond the date when the next payment is due, except as hereinafter provided.

6. **GRACE.**—A grace of one month (not less than thirty days) subject to an interest charge of five per centum per annum will be allowed for the payment of every premium after the first, during which time the insurance shall continue in force. If death occurs within the period of grace the unpaid

10. **ASSIGNMENT.**—Any assignment of this Policy must be made in duplicate and one copy filed with the Company at its Home Office. The Company assumes no responsibility as to the validity of any assignment.

11. **CASH LOANS.**—At any time after two full years' premiums have been paid and while this Policy is in full force, the Company will advance, on the pledge of the Policy and on the sole security thereof, an amount which with interest thereon to the end of the current policy year and with any unpaid portion of said year's premium, shall, at the option of the owner, be equal to or less than the Cash Surrender Value at the end of such policy year, including the Cash Surrender Value of any dividend additions. Interest on the loan will be at the rate of five per centum payable annually; if interest is not paid when due, it shall be added to the principal and bear interest at the same rate. Failure to repay any such advance or to pay interest shall not avoid this Policy unless the total indebtedness hereon to the Company shall equal its Cash Surrender Value, nor until one month after notice of such fact shall have been mailed by the Company to the last known address of the Insured and of the Assignee of record at the Home Office of the Company, if any, in which event the Policy shall become void.

12. **PREMIUM LOANS.**—Whenever the net loan value of this Policy shall be sufficient to pay one full annual premium with five per centum interest thereon for one year, the Company will, before the expiration of the days of grace, accept a premium lien note of the owners of the Policy in lieu of cash for premium, said note to be a lien against the Policy and subject to the same terms and conditions as cash loans except that the Policy need not be deposited with the Company as a pledge. The total indebtedness on this Policy, however incurred, shall never exceed its Cash Surrender Value.

13. **PAID-UP AND ENDOWMENT OPTIONS.**—Whenever the reserve on this Policy together with the reserve on existing dividend additions, if any, at the end of any policy year shall equal or exceed the net single premium for the attained age of the Insured by the American Experience Table

premium for the then current Policy year shall be deducted from the amount payable hereunder.

7. **CHANGE OF BENEFICIARY.**—When the right of revocation has been reserved, or in case of the death of any beneficiary under either a revocable or irrevocable designation, the Insured, if there be no existing assignment of the Policy made as herein provided, may while the Policy is in force, designate a new beneficiary, with or without reserving right of revocation, by filing written notice thereof at the Home Office of the Company accompanied by the Policy for suitable endorsement thereon. Such change shall take effect when endorsed on the Policy by the Company and not before. If any beneficiary shall die before the Insured, the interest of such beneficiary shall vest in the Insured.

8. **PRIVILEGE OF CHANGE TO OTHER FORMS OF POLICIES.**—At any time, and while in full force, and provided the Insured is then less than 60 years of age, this Policy may be changed without medical re-examination for a Policy of the same amount, upon any plan issued by the Company at the time this Policy takes effect and having a higher rate of premium. Such change shall be effective upon payment of a sum equal to the difference between the premiums on the new Policy and the premiums paid on this Policy, with compound interest at the rate of five per centum per annum from the due date of each payment to the date when the change is made, and upon the surrender of this Policy. The new Policy will take effect as of the date of this Policy, and the premium will be based upon the same age as this Policy. The cash value of any dividends standing to the credit of this Policy, as well as any additional cash value of such dividends that would have been credited under the new Policy may be used in the settlement of the difference of premiums.

9. **REINSTATEMENT.**—At any time after any default, upon written application by the Insured and upon presentation at the Home Office of evidence of insurability satisfactory to the Company, this Policy may be reinstated, together with any indebtedness in accordance with the loan provisions of the Policy, upon payment of arrears of premiums with interest thereon at the rate of five per centum per annum.

of Mortality and interest at three per centum, for an amount of insurance equal to the face amount of this Policy, payable at the same time and under the same conditions as this Policy, the Company, at the written request of the Insured, will endorse the Policy as participating paid-up insurance for such amount as the said reserve will purchase when thus applied, any indebtedness to the Company to be a lien against said paid-up insurance upon the same terms and conditions as in Section 11 above; or, whenever said reserve at the end of any policy year shall equal or exceed the face amount of this Policy, the Company, upon surrender of the Policy and all claims thereunder, will pay in cash the face amount of the Policy and any excess of said reserve, less any indebtedness to the Company on account of this Policy.

14. **BENEFITS ON SURRENDER OR LAPSE.**—After two full annual premiums shall have been paid, the owner may elect within three months after any default in payment of premium, but not later, either

(*a*) To accept the Cash Surrender Value; or,

(*b*) To have insurance for the face amount of this Policy plus any dividend additions and less any indebtedness to the Company hereon continue in force from the date of default for such term in years and months as the Cash Surrender Value will purchase as hereinafter provided, but without future participation and without the right to loans or Cash Surrender Value; or,

(*c*) To purchase non-participating Paid-up Insurance payable at the same time and on the same conditions as this Policy. The Insured may at any time obtain a loan on such Paid-up Insurance in accordance with the provisions contained in Section "11, Cash Loans", or surrender the Policy for its Cash Surrender Value.

The Cash Surrender Value, after premiums have been paid for two years or more, will be the reserve on this Policy, omitting fractions of a dollar per thousand of insurance, and the reserve on any dividend additions thereto, at the date of default, computed according to the American Table of Mortality and interest at the rate of three per centum per annum, less the amount of any indebtedness to the Company, and less a surrender charge which in no case shall be more than one and one-half per centum of the sum insured; after premiums have been paid for ten years or more, there will be no surrender charge.

BENEFITS AND PROVISIONS—Continued

The Term for which said Insurance will be continued, or the amount of **Paid-up Insurance** will be such as said Cash Surrender Value will purchase as a net single premium at the age of the Insured at the date of default according to the American Table of Mortality and interest at the rate of three per centum per annum. If the Insured shall not, within three months after default, surrender this Policy to the Company at the Home Office for its Cash Surrender Value as provided in option (*a*) or for paid-up insurance as provided in option (c), the insurance will be continued as term insurance as provided in option (*b*).

The figures contained in the following "Table of Loan and Surrender Values" represent the actual amounts available after deduction of the surrender charge, if any, and are computed in accordance with the above provisions and upon the assumptions that premiums have been paid in full for the number of years stated in the table, and that there is no indebtedness on the Policy, and that there are no outstanding dividend additions.

TABLE OF LOAN AND SURRENDER VALUES.

The Cash Surrender, Loan and Paid-up Insurance values stated in the following table apply to a Policy of $1,000. As this Policy is for $ *10,000* , the Cash Surrender Value and Loan Value (Col. 1), and the Paid-up Insurance (Col. 2), will be *TEN TIMES* the amounts stated in the table; the periods of Continued Insurance (Col. 3) must not be multiplied or increased.

After Policy has been in Force	Column 1. Cash Surrender Value. Loan Value.*	Column 2. Paid-up Life Insurance.	Column 3. $ *10,000* Insurance Continued for Yrs. Mos.
2	$ 29	$ 68	3— 4
3	55	124	6— 4
4	79	177	9— 1
5	107	234	11—11
6	133	285	14— 2
7	162	341	16— 4

(2) By the payment of equal annual instalments for a specified number of years, the first instalment being payable immediately, in accordance with the following Instalment Table, either to the beneficiary, or if there be more than one beneficiary, to the beneficiaries jointly and to the survivor.

(3) By the payment of equal annual instalments for a fixed period of twenty years and for so many years longer as the beneficiary shall survive, the first instalment being payable immediately, in accordance with the following Instalment Table. If there be more than one beneficiary, the proceeds of this Policy, unless otherwise directed in said notice, shall be considered as divided into equal parts. The amount payable to each such beneficiary, shall be determined in accordance with the following Instalment Table for the ages attained by said beneficiaries.

Any instalments payable under (2) or (3) which shall not have been paid prior to the death of the beneficiary shall be paid, unless otherwise directed in said notice, to the beneficiary's legal representatives or assigns.

Instalment Tables.—Instalment payments under any option may be made annually, semi-annually, quarterly or monthly; the minimum basis of such payments will be $50 when paid annually, $25 when paid semi-annually, $15 when paid quarterly, or $10 when paid monthly, and the total of the fractional payments each year shall equal the annual payment each year as shown in the following tables, which are based upon a Policy, the proceeds of which are $1,000. The figures contained in the table will apply pro rata to this Policy.

Option (2)		Option (3)					
Number of Annual Instalments	Amount of Each Annual Instalment	Age of Beneficiary at death of Insured	Amount of Each Annual Instalment	Age of Beneficiary at death of Insured	Amount of Each Annual Instalment	Age of Beneficiary at death of Insured	Amount of Each Annual Instalment
2	$507.39	0	$42.48	25	$43.16	50	$56.60
3	343.23	1	40.17	26	43.49	51	57.29
4	261.19	2	39.38	27	43.84	52	57.98
5	211.99	3	39.06	28	44.20	53	58.66

8	192	396	18— 3
9	223	452	19—10
10	255	506	21— 2
11	286	556	22— 3
12	317	605	23— 2
13	350	655	24— 0
14	383	704	24—10
15	418	753	25— 8
16	454	802	26— 7
17	491	851	27— 8
18	529	900	29— 0
19	568	950	31— 0
20	609		
21	621	POLICY	PAID UP.
22	632		
23	643		
24	655		
25	666		
Years			

Cash Surrender and Loan Values for later years will be computed upon the above basis, and will be furnished on request.

*The Loan Values in the above table are the maximum amounts available at the end of the policy year indicated. Loans may also be obtained during the policy year as set forth in Section 11 entitled "Cash Loans".

15.. MODES OF SETTLEMENT UPON DEATH OF INSURED.

If there be no existing assignment of the Policy made as herein provided, the Insured or in case the Insured shall have made no election, the Beneficiary after the Insured's death, may by written notice to the Company at its Home Office, elect to have the net sum payable under this Policy upon the death of the Insured paid either in cash or as follows:

(1) By the payment of interest at the rate of three per centum of such net sum, payable one year after receipt and approval of proofs of death, and at the end of each year thereafter during the lifetime of the beneficiary and, unless otherwise directed in said notice, by the payment upon the death of the beneficiary of the said net sum, together with any accrued interest for the year then current, to the beneficiary's legal representatives or assigns.

6	179.22	4	38.93	29	44.58	54	59.32
7	155.83	5	38.91	30	44.98	55	59.96
8	138.30	6	38.96	31	45.39	56	60.58
9	124.69	7	39.05	32	45.82	57	61.16
10	113.81	8	39.19	33	46.27	58	61.72
11	104.92	9	39.35	34	46.73	59	62.23
12	97.53	10	39.52	35	47.22	60	62.71
13	91.29	11	39.70	36	47.73	61	63.15
14	85.94	12	39.88	37	48.25	62	63.54
15	81.32	13	40.08	38	48.79	63	63.89
16	77.29	14	40.28	39	49.36	64	64.20
17	73.74	15	40.49	40	49.94	65	64.45
18	70.59	16	40.71	41	50.54	66	64.67
19	67.78	17	40.94	42	51.17	67	64.85
20	65.25	18	41.18	43	51.80	68	64.98
21	62.98	19	41.42	44	52.45	69	65.09
22	60.91	20	41.68	45	53.12	70	65.16
23	59.04	21	41.95	46	53.80	71	65.21
24	57.32	22	42.24	47	54.49	72	65.23
25	55.75	23	42.53	48	55.19	73	65.25
		24	42.84	49	55.89	AND OVER	

Unless otherwise specified by the Insured or by the beneficiary in making such election, the beneficiary may at any time surrender the contract guaranteeing the payment of instalments for the commuted value of the payments yet to be made, computed upon the same basis as Option (2) in the above table; provided that no such surrender will be made under (3) except after the death of the beneficiary occurring within the aforesaid twenty years.

The above Modes of Settlement are based upon an assumed interest earning of three per centum, but if in any year the Company shall declare for that year on funds held by it under such Modes of Settlement a greater interest rate than three per centum, the sums payable under Options 1 and 2 and the instalments for the fixed period of twenty years under Option 3, shall be increased accordingly.

The above Modes of Settlement are not applicable if the beneficiary be a firm or corporation, nor if the net sum payable under the Policy shall be less than $1,000.

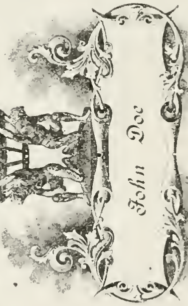
10401

REGISTER OF CHANGE IN MODE OF PAYMENT OF PROCEEDS UNDER THIS POLICY.

NOTE.—Changes of mode of payment and revocation of any change, must be requested in writing and shall not take effect until endorsed on this Policy by the Company at the Home Office.

DATE ENDORSED	HOW PAYABLE	ENDORSED BY

New York Life Insurance Company



John Doe

No. 0,000,000

Amount $

Annual Premium $

Notice: It is not necessary for the Insured or the Beneficiary to employ the agency of any person, firm or corporation, in collecting the Insurance under this Policy, or in receiving any of its benefits. Time and expense will be saved by writing direct to the Home Office, 346 and 348 Broadway, New York City.

PAGE 4 OF POLICY

LIMITED-PAYMENT LIFE—910-445

REGISTER OF CHANGE OF BENEFICIARY.

NOTE.—No change, designation, or declaration shall take effect until endorsed on this Policy by the Company at the Home Office.

DATE ENDORSED	BENEFICIARY	ENDORSED BY

10401

The provisions of this Policy will be found to be exactly the same as those of the Ordinary Life except (1) that the annual premium is $383.40, instead of $281.10, and that instead of being paid annually during life it is to be paid every year during the continuance of the Policy until premiums shall have been paid for twenty full years, or until the prior death of the Insured; (2) that the amounts of cash surrender and loan value and of paid-up insurance in the Table on page 3 are *larger* in this Policy, and that the time for which the insurance will be continued,—in case the payment of premiums is discontinued after two years' premiums have been paid—, is *longer*. We will now examine into the reason of this.

The Premium and the Loading.

It will be noted that this Policy insures during the whole period of life—just as the Ordinary Life Policy does—the present value of the net premiums to be received must therefore be the same as in the former case and these values are obtained in the same way. The only point that need be discussed here is how the Company may realize these values in twenty years. The present value of the insurance costs of $1,000 insurance taken at age 35 or the net single premium, in that case was found to be $419.883. In order to get the equivalent of this in equal annual payments from the living from age 35 to age 55 we first find the present value of $1 paid by each person living according to the Mortality Table during the twenty years beginning at age 35. We begin with $1 each from the 81,822 persons living at age 35, or $81,822. At the end of the first year $1 would be received from each of the 81,090 persons then living, and this $81,090 would be discounted at 3% for one year. In the same way the amounts to be received at the beginning of the years following would be discounted until twenty payments of $1 each had been made. If we performed these operations and added together the amounts thus obtained we should have a total of $1,150,932.798, which is the present value of $1 each received in cash from 81,822 persons living at age 35 and of $1 each annually thereafter from the living until twenty payments have been made.* But we must have present values equal to 81,822 x 419.883 or $34,355,666.826; therefore we must have from each person annually for twenty years as many dollars as 1,150,932.798 is contained times in 34,355,666.826. Performing the division gives 29.85; therefore the net annual premium to be paid for twenty years is $29.85 per $1,000. As the gross premium charged in this Policy is $38.34 per $1,000, the loading is $8.49. The Ordinary Life loading is $7.03 or 33 1/3% of the net. This net premium is the Ordinary Life net premium plus $8.77, which—with its loading—is called the "higher premium element". If we deduct the Ordinary Life loading from $8.49 we have $1.46, which is 16 2/3% of $8.77. In other words the loading on the higher premium element is at one-half the Ordinary Life rate.

*If we divide $1,150,932,798 by 81,822 the quotient will be $14.06624, and this is the present value of $1 in cash and $1 per annum during nineteen years or until prior death, from persons beginning at age 35. This is called the present value of a "Temporary Annuity Immediate" during the period of twenty years. Tables have been constructed showing the present value of a "Temporary Annuity Immediate", beginning at any age and continuing during any desired period. Knowing what it means and how it is obtained, we may hereafter take these values from such a table.

Verifying the Reserves.

If we were to construct a table after the manner of the table on page 108 we should have in the last column the amount of reserve on hand for each $1.000 insured at the end of all the years following age 35. These amounts for the first ten years would be as follows, omitting fractional parts of a dollar:

First year	$22	Sixth year	$143
Second "	44	Seventh "	170
Third "	68	Eighth "	197
Fourth "	92	Ninth "	226
Fifth "	117	Tenth "	255

While we have taken these figures from a Table of Terminal Net Values, they may easily be verified. For example,

1st year's premiums $29.85 x 81,822	$2,442,386.70
Add one year's interest @ 3%	73,271.60
	$2,515,658.30
Deduct 732 death-losses	732,000.00
	$1,783,658.30
Divide by number of living 81,090	22.00
Second year—	
Amount on hand	$1,783,658.30
2d year's premiums 81,090 x 29.85	2,420,536.50
	$4,204,194.80
Add one year's interest @ 3%	126,125.84
	$4,330,320.64
Deduct 737 death-losses	737,000.00
	$3,593,320.64
Divide by number of living 80,353	44.72

At the end of the twentieth year the Insured will all be age 55 and their policies will all be paid in full, there must then be on hand for each the net single premium for age 55; and the reserve at the end of each year thereafter will be the net single premium for the attained age. The reason is obvious; the net single premium is the amount of cash in hand at any age which will pay all death-losses under policies issued at that age; those who insure under a twenty-payment life policy at age 35 and pay premiums for twenty years will pay no more, but are now insured for life and will remain so. Hence at the beginning of each year thereafter they will be in the same position as that of men newly insured by the payment of the net single premium.

We have seen how the cost of an insurance for the whole life may be paid for by twenty annual payments—simply by making the present values of those payments equal the present value of the insurance. In a similar manner we may arrange to collect these values in any specified number of years. Limited-Payment Life Policies are accordingly issued which are paid up by either five, ten, fifteen, twenty, twenty-five or thirty annual premiums.

Effect of the Larger Reserves.

We will now examine the Table of Loan and Surrender Values on page 3 of the Policy. If we compare the figures in Column 1 with the reserves already given we shall have the following, omitting fractional parts of the dollar:

End of Year	Reserve	Cash Value	Surrender charge
2	$44	$29	$15
3	68	55	13
4	92	79	13
5	117	107	10
6	143	133	10
7	170	162	8
8	197	192	5
9	226	223	3
10	255	255	0

The cash value at the tenth year and thereafter is the full reserve, omitting fractional parts of the dollar.

As we have observed in considering the Ordinary Life Policy, the law does not require a surrender value of any kind until three years' premiums have been paid; the company allows approximately one-half of the reserve as such value after two years' premiums have been paid under the Ordinary Life Policy and 66% under this Policy. The surrender charge under each Policy at the third year is approximately 20% of the reserve and diminishes until it reaches nothing at the tenth year. The decline is however more rapid under the higher premium Policy, for the reason that the reserve is larger in proportion to the insurance. The surrender charges have the following ratios to the reserves:

Year	Ordinary Life Pol.	20 Pay't Life Pol.
3	17.9%	19.1%
4	17.0%	14.1%
5	14.7%	8.5%
6	12.2%	7.0%
7	8.2%	4.7%
8	4.4%	2.5%
9	1.6%	1.3%

If we compare these surrender charges both with respect to the amount per $1,000 insured and the percentage of the reserve, with the surrender charges allowed by law—as we did those of the Ordinary Life Policy—we shall find they are always smaller than the legal allowances.

The only point requiring special explanation is the manner of ascertaining the surrender charge under the Massachusetts law, which is "5% of the present value of all the net premiums which by its terms the Policy is exposed to pay." At the end of three years "The Policy is exposed by its terms to pay" net premiums of $29.85 for 17 years, hence we must use for the multiplier not the present value of $1 paid annually during life—as in the case of the Ordinary Life Policy—that is to say the "Annuity Immediate"—nor the present value of $1 paid during twenty years or until death, if prior, that is the "Temporary

Annuity Immediate"—20 years, age 35,—but the "Temporary Annuity Immediate"—17 years, age 38, which we may obtain from the table which we have already learned how to construct. This value is $12.554. Multiplying this by the net annual premium gives $374.74, 5% of which is $18.74, the maximum surrender charge allowed by the Massachusetts law under this Policy at the end of the third year. In the same manner we may find that it will always be greater than the surrender charge made in the Policy.

The amount of paid-up insurances shown in column 2, and the time during which the full amount of the insurance will be continued, in case the payment of premiums is discontinued, may be verified in the same manner as under the Ordinary Life Policy—no new principles are involved.

The Instalment Table is the same as in the Ordinary Life Policy.

Prior to the introduction of non-forfeiture conditions practically the only forms of Policy issued were the Ordinary Life and the Term Policy, the latter being a Policy which only undertook to insure during a limited period. The reason is obvious: Limited-Payment Life premiums are necessarily higher and no one would be willing to risk the forfeiture of the larger values in case of a forced discontinuance of premium payments. But with non-forfeiture conditions in the Policy and correspondingly larger values allowed upon lapsed Policies, the advantage of paying up a Policy within a limited time appealed to would be insurers. The first non-forfeiting Policies were all of the Limited-Payment variety—either life or endowment.*

We will now consider the

Twenty-Year Endowment Policy.

The following is a copy of this form of Policy as issued by the New-York Life Insurance Company in 1911 (see page 38):

The text of this Policy will be found the same as that of the life policies already discussed except (1) that it is made payable in cash to the Insured at the end of twenty years, if he be then living, and to the Beneficiary on proof of death prior to the end of the twenty years; (2) that the premium is $519.10 annually for twenty years; (3) that the "Privilege of Change to Other Forms of Policies" is omitted, as it is not necessary; and (4) that the Table of Loan and Surrender Values on page three is different.

Computing the Premium for Insurance.

We will first consider the premium rate. It is obvious that we now have a problem somewhat different from those which preceded. It isn't a question now of providing for insurance during life, but only for a term of years; and there is the added problem of providing for payment of the face of the Policy at the end of twenty years. If we turn to the Mortality Table we shall find that of the 81,822 persons living at age 35, 17,259 will die during the next twenty years and 64,563 will be living at age 55; our problem therefore is to provide an insurance of $1,000 each for the 17,259 to be paid as they die, and $1,000 each

*See S. C. H., pages 58-62.

twenty years hence for the 64.563 who will survive, and then to apportion the cost in equal annual payments to the living.

First we will ascertain the present value of an insurance of $1,000 for twenty years upon the lives of each of 81,822 persons. We begin as in the case of the Ordinary Life Policy. The number dying during the first year is 732, and $732,000 must be paid at the end of the first year, the present value of which is $710,679,768. Deaths in the second year will be 737 and the present value of $737,000 due two years hence is $694,693,252. In the same manner we may obtain the present values of the insurances to be paid at the end of each of the twenty years. If we were to perform all these operations and take the sum of the results we would have $12,553,331.24 as the present value of these insurances.* How much must the living pay annually to make equivalent values? We first find the present value of $1 per year from each, the first dollar to be paid at once. This gives the series of the number living multiplied by $1 and the amounts discounted thus:

$81,822 paid in cash..........	$81,822.00
$81,090 discounted for one year..................	78,728.173
$80,353 discounted for two years..................	75,740.416

etc., etc.

If we complete the series we shall have $1,150,932.80 as the present value of $1 per year from each of the living for twenty years. We get the same result by multiplying 81,822 by $14.06624, the value of a Temporary Annuity Immediate for 20 years at age 35. But the present value of the insurances for twenty years is $12,553,131.24, therefore each must pay as many dollars annually as 1,150,932.80 is contained times in 12,553,131.24. Performing the division we get 10.907, hence the net annual premium for a Term Insurance of $1,000 for twenty years beginning at age 35 is $10.91.

Computing the Premium for Endowment.

The present value of 64,563 endowments of $1,000 each due in 20 years is $64,563,000 discounted for twenty years (64,563,000 x .553676) or $35,746,-983.59.† We have already found that $1 annually from each of the living for twenty years will produce present values equal to $1,150,932.80; hence to produce the required amount each must pay annually as many dollars as 1,150,-932.80 is contained times in 35,746,983.59. Performing the division we get 31.059, hence the net annual cost of the endowments will be $31.06. But since each man wishes the insurance if he dies and the endowment if he survives, they may be combined in the same contract by paying the cost of both. Adding

*If we divide this sum by the number of the living at age 35 we shall get $153.42 the amount of cash in hand from each necessary to provide an insurance of $1,000 for twenty years beginning at age 35. This is the Net Single Premium for a Term Insurance of twenty years at age 35.

†If we divide this number by the total number living at age 35, we will get $436.89, and this is the amount which each would need to pay in cash for an endowment of $1,000 each to the living twenty years hence. This is therefore the net single premium for a 20-year Pure Endowment taken at age 35.

NEW-YORK LIFE Insurance Company

By This Policy of Insurance Agrees to Pay

. . . . *TEN THOUSAND* . . . . Dollars
at the Home Office of the Company in the City and State of New York
to . . . . *JOHN DOE* . . . .
herein called the Insured, on the . . *FIRST* . . day
of . . *JULY* . . Nineteen Hundred and *THIRTY-ONE* , if the Insured be then living or upon
receipt at said Home Office of due proof of the prior death of the Insured, during the continuance of this contract,

to . . . . *MARY DOE, WIFE OF THE INSURED* . . . .
beneficiary , with right of revocation.

This contract is made in consideration of the first premium of . *Five Hundred nineteen 10/100* . . Dollars, the receipt of which is hereby acknowledged, constituting payment for the period terminating on the . *FIRST* . day of . . *JULY* . . in the year Nineteen Hundred and *TWELVE* and the payment of a like sum on said date and on the . . *FIRST* . . day of . . *JULY* . . . in every year thereafter during the continuance of this Policy, until premiums shall have been paid for *TWENTY* full years from . *JULY FIRST* . Nineteen Hundred and *ELEVEN* or until the prior death of the Insured.

THIS POLICY SHALL PARTICIPATE IN THE SURPLUS OF THE COMPANY.

The proportion of divisible surplus accruing on this Policy shall be ascertained and distributed annually and not otherwise, and at the option of the Insured shall each year, on the anniversary of the Policy, be either

(1) Paid in Cash; or,
(2) Applied toward the payment of any premium or premiums; or,
(3) Applied to the purchase of participating Paid-up Additions to the Policy; or,
(4) Left to accumulate to the credit of the Policy, with compound interest at the rate of three per centum per annum, and payable at the maturity of the Policy, but withdrawable on any anniversary of the Policy.

Unless the Insured shall elect otherwise within three months after the mailing by the Company of a written notice requiring the election of one of the four above options, the dividends shall be applied to the purchase of participating Paid-up Additions (Option No. 3) which may be surrendered for cash at any time, and the Cash Value thereof shall not be less than the original cash dividend.

The benefits and provisions printed or written by the Company on the following pages, are a part of this contract as fully as if they were recited at length over the signatures hereto affixed.

After delivery of this Policy to the Insured, it takes effect as of the . . . *first* . . . day of . *July* . Nineteen Hundred and *eleven.*

In Witness Whereof the NEW-YORK LIFE INSURANCE COMPANY has caused this contract to be signed this . . *first* . . day of . *July* . . Nineteen Hundred and *eleven.*

Secretary. President.

Examined,

PAGE 1 OF POLICY

Registrar.

AGE..*35*..: ENDOWMENT INSURANCE: PAYABLE IN....*20*....YEARS OR AT PRIOR DEATH: ANNUAL DIVIDEND. 910-446.

BENEFITS AND PROVISIONS.

1. **THE CONTRACT.**—This Policy is free of conditions as to residence, travel or occupation. The Policy constitutes the entire contract between the parties, and no agent is authorized to waive forfeitures or to make, modify or discharge contracts, or to extend the time for paying a premium.

2. **INCONTESTABILITY.**—This Policy shall be incontestable after one year from its date of issue except for non-payment of premium.

3. **SELF-DESTRUCTION.**—Self-destruction during the first policy year, whether the Insured be sane or insane, is a risk not assumed by the Company; but in such case the Company will return the premiums actually received.

4. **AGE.**—If the age of the Insured has been misstated the amount payable hereunder shall be such as the premium paid would have purchased at the correct age.

5. **PAYMENT OF PREMIUMS.**—All premiums are payable at the Home Office of the Company or to an agent of the Company upon delivery of a receipt, on or before the date due, signed by an Executive Officer of the Company, namely, the President, a Vice-President, a Second Vice-President, a Secretary or the Treasurer, and countersigned by said agent. The premium is always considered as payable annually, in advance, but by agreement in writing and not otherwise may be made payable in semi-annual or quarterly payments. Any unpaid premiums required to complete the payments for the current policy year in which death occurs shall be deducted from the amount payable hereunder. The payment of a premium shall not maintain the policy in force beyond the date when the next payment is due, except as hereinafter provided.

6. **GRACE.**—A grace of one month (not less than thirty days) subject to an interest charge of five per centum per annum will be allowed for the pay-

be equal to or less than the Cash Surrender Value at the end of such policy year, including the Cash Surrender Value of any dividend additions. Interest on the loan will be at the rate of five per centum payable annually; if interest is not paid when due, it shall be added to the principal and bear interest at the same rate. Failure to repay any such advance or to pay interest shall not avoid this Policy unless the total indebtedness hereon to the Company shall equal its Cash Surrender Value, nor until one month after notice of such fact shall have been mailed by the Company to the last known address of the Insured and of the Assignee of record at the Home Office of the Company, if any, in which event the Policy shall become void.

11. **PREMIUM LOANS.**—Whenever the net loan value of this Policy shall be sufficient to pay one full annual premium with five per centum interest thereon for one year, the Company will, before the expiration of the days of grace, accept a premium lien note of the owners of the Policy in lieu of cash for premium, said note to be a lien against the Policy and subject to the same terms and conditions as cash loans except that the Policy need not be deposited with the Company as a pledge. The total indebtedness on this Policy, however incurred, shall never exceed its Cash Surrender Value.

12. **PAID-UP AND ENDOWMENT OPTIONS.**—Whenever the reserve on this Policy together with the reserve on existing dividend additions, if any, at the end of any policy year shall equal or exceed the net single premium for the attained age of the Insured by the American Experience Table of Mortality and interest at three per centum, for an amount of insurance equal to the face amount of this Policy, payable at the same time and under the same conditions as this Policy, the Company, at the written request of the Insured, will endorse the Policy as participating paid-up insurance for such amount as the said reserve will purchase when thus applied, any indebtedness to the Company to be a lien against said paid-up insurance upon the same terms and conditions as in Section 10 above; or, whenever said

ment of every premium after the first, during which time the insurance shall continue in force. If death occurs within the period of grace the unpaid premium for the then current Policy year shall be deducted from the amount payable hereunder.

7. **CHANGE OF BENEFICIARY.**—When the right of revocation has been reserved, or in case of the death of any beneficiary under either a revocable or irrevocable designation, the Insured, if there be no existing assignment of the Policy made as herein provided, may, while the Policy is in force, designate a new beneficiary, with or without reserving right of revocation, by filing written notice thereof at the Home Office of the Company accompanied by the Policy for suitable endorsement thereon. Such change shall take effect when endorsed on the Policy by the Company and not before. If any beneficiary shall die before the Insured, the interest of such beneficiary shall vest in the Insured.

8. **REINSTATEMENT.**—At any time after any default, upon written application by the Insured and upon presentation at the Home Office of evidence of insurability satisfactory to the Company, this Policy may be reinstated, together with any indebtedness in accordance with the loan provisions of the Policy, upon payment of arrears of premiums with interest thereon at the rate of five per centum per annum.

9. **ASSIGNMENT.**—Any assignment of this Policy must be made in duplicate and one copy filed with the Company at its Home Office. The Company assumes no responsibility as to the validity of any assignment.

10. **CASH LOANS.**—At any time after two full years' premiums have been paid and while this Policy is in full force, the Company will advance, on the pledge of the Policy, and on the sole security thereof, an amount which, with interest thereon to the end of the current policy year and with any unpaid portion of said year's premium, shall, at the option of the owner, reserve at the end of any policy year shall equal or exceed the face amount of this Policy, the Company, upon surrender of the Policy and all claims thereunder, will pay in cash the face amount of the Policy and any excess of said reserve, less any indebtedness to the Company on account of this Policy.

13. **BENEFITS ON SURRENDER OR LAPSE.**—After two full annual premiums shall have been paid, the owner may elect within three months after any default in payment of premium, but not later, either

(*a*) To accept the Cash Surrender Value; or,

(*b*) To have insurance for the face amount of this Policy plus any dividend additions and less any indebtedness to the Company hereon continue in force from the date of default for such term in years and months as the Cash Surrender Value will purchase as hereinafter provided, but without future participation and without the right to loans or Cash Surrender Value; or,

(c) To purchase non-participating Paid-up Insurance payable at the same time and on the same conditions as this Policy. The Insured may at any time obtain a loan on such Paid-up Insurance in accordance with the provisions contained in Section "10. Cash Loans", or surrender the Policy for its Cash Surrender Value.

The Cash Surrender Value, after premiums have been paid for two years or more, will be the reserve on this Policy, omitting fractions of a dollar per thousand of insurance, and the reserve on any dividend additions thereto, at the date of default, computed according to the American Table of Mortality and interest at the rate of three per centum per annum, less the amount of any indebtedness to the Company, and less a surrender charge which in no case shall be more than one and one-half per centum of the sum insured; after premiums have been paid for ten years or more, there will be no surrender charge.

BENEFITS AND PROVISIONS—Continued

The Term for which said Insurance will be continued, or the amount of **Paid-up Insurance** will be such as said Cash Surrender Value will purchase as a net single premium at the age of the Insured at the date of default according to the American Table of Mortality and interest at the rate of three per centum per annum. If said Cash Surrender Value, applied to the purchase of temporary insurance, shall be more than sufficient to continue the insurance to the end of the endowment period named in this Policy, the excess shall be used to purchase in the same manner non-participating paid-up pure endowment, payable at the end of the endowment period, if the Insured is then living. If the Insured shall not, within three months after default, surrender this Policy to the Company at the Home Office for its Cash Surrender Value as provided in option (*a*), or for paid-up insurance as provided in option (*c*), the insurance will be continued as term insurance as provided in option (*b*).

The figures contained in the following "Table of Loan and Surrender Values" represent the actual amounts available after deduction of the surrender charge, if any, and are computed in accordance with the above provisions and upon the assumptions that premiums have been paid in full for the number of years stated in the table, and that there is no indebtedness on the Policy, and that there are no outstanding dividend additions.

TABLE OF LOAN AND SURRENDER VALUES.

The Cash Surrender, Loan and Paid-up Insurance values and the Cash payable at end of period, stated in the following table, apply to a Policy of $1,000. As this Policy is for $ *10,000* , the Cash Surrender Value and Loan Value (Col. 1), the Paid-up Insurance (Col. 2) and the Cash payable at end of period (Col. 3), will be *TEN TIMES* the amounts stated in the table; the periods of Continued Insurance (Col. 3) must not be multiplied or increased.

After Policy has been in Force	Column 1. Cash Surrender Value. Loan Value.*	Column 2. Paid-up Endowment Insurance.	Column 3. $ *10,000* Insurance Continued for — Yrs. Mos.	Cash payable at End of Period.
2	$ 55	$ 89	6— 6	$ 0
3	92	145	10—10	0
4	133	205	15— 3	0
5	175	263	15— 0	75

Any instalments payable under (2) or (3) which shall not have been paid prior to the death of the beneficiary shall be paid, unless otherwise directed in said notice, to the beneficiary's legal representatives or assigns.

B. Upon the Maturity of This Policy as an Endowment.—If there be no existing assignment of the Policy made as herein provided, the Insured may, by written notice to the Company at its Home Office, elect to have the net sum payable hereunder, paid either in cash or in one of the following methods, designating whether the payment shall be made to the Insured or to the beneficiary or to them both jointly as hereinafter provided:

(4) By the payment of interest at the rate of three per centum of the net sum, payable at the end of each year, either to the Insured for life or to the beneficiary for life, or to both during their joint lives and to the survivor during life and, unless otherwise directed in said notice, by the payment upon the death of the payee or surviving payee of the said net sum, together with any accrued interest for the year then current, to his or her legal representatives or assigns.

(5) By the payment of equal annual instalments for a specified number of years, the first instalment being payable immediately, in accordance with the following Instalment Table, either to the Insured or to the beneficiary or to both jointly and to the survivor.

(6) By the payment to the Insured or to the beneficiary of equal annual instalments, payable at the beginning of each year, for a fixed period of twenty years and for so many years longer as the payee shall survive, in accordance with the following Instalment Table. If there be more than one payee, the proceeds of this Policy, unless otherwise directed in said notice, shall be considered as divided into equal parts. The amount payable to each such payee, shall be determined in accordance with the following Instalment Table for the ages attained by said payees.

Any instalments payable under (5) or (6) which shall not have been paid prior to the death of the payee or surviving payee shall be paid, unless otherwise directed in said notice, to his or her legal representatives or assigns.

Instalment Tables.—Instalment payments under any option may be made annually, semi-annually, quarterly or monthly; the minimum basis of such payments will be $50 when paid annually, $25 when paid semi-annually, $15 when paid quarterly, or $10 when paid monthly, and the total of the fractional payments each year shall equal the annual payment each year as shown in the following tables, which are based upon a Policy, the proceeds of which are $1,000. The figures contained in the table will apply pro rata to this Policy.

6	216	317	14—0	154
7	262	374	13—0	236
8	308	429	12—0	313
9	357	484	11—0	388
10	407	538	10—0	459
11	456	587	9—0	524
12	508	636	8—0	586
13	561	684	7—0	646
14	616	731	6—0	703
15	674	777	5—0	758
16	733	823	4—0	811
17	796	868	3—0	861
18	861	913	2—0	909
19	928	957	1—0	956
20 Years	1000	—		—

* The Loan Values in the above table are the maximum amounts available at the end of the policy year indicated. Loans may also be obtained during the policy year as set forth in Section 10 entitled "Cash Loans".

14. MODES OF SETTLEMENT.

A. Upon Death of Insured.—If there be no existing assignment of the Policy made as herein provided, the Insured or in case the Insured shall have made no election, the Beneficiary after the Insured's death, may by written notice to the Company at its Home Office, elect to have the net sum payable under this Policy upon the death of the Insured paid either in cash or as follows:

(1) By the payment of interest at the rate of three per centum of such net sum, payable one year after receipt and approval of proofs of death, and at the end of each year thereafter during the lifetime of the beneficiary and, unless otherwise directed in said notice, by the payment upon the death of the beneficiary of the said net sum, together with any accrued interest for the year then current, to the beneficiary's legal representatives or assigns.

(2) By the payment of equal annual instalments for a specified number of years, the first instalment being payable immediately, in accordance with the following Instalment Table, either to the beneficiary, or if there be more than one beneficiary, to the beneficiaries jointly and to the survivor.

(3) By the payment of equal annual instalments for a fixed period of twenty years and for so many years longer as the beneficiary shall survive, the first instalment being payable immediately, in accordance with the following Instalment Table. If there be more than one beneficiary, the proceeds of this Policy, unless otherwise directed in said notice, shall be considered as divided into equal parts. The amount payable to each such beneficiary, shall be determined in accordance with the following Instalment Table for the ages attained by said beneficiaries.

OPTIONS (2) & (5)		OPTIONS (3) & (6)					
Number of Annual Instalments	Amount of Each Annual Instalment	Age of Payee when Policy becomes payable	Amount of Each Annual Instalment	Age of Payee when Policy becomes payable	Amount of Each Annual Instalment	Age of Payee when Policy becomes payable	Amount of Each Annual Instalment
2	$507.39	0	$42.48	25	$43.16	50	$56.60
3	343.23	1	40.17	26	43.49	51	57.29
4	261.19	2	39.38	27	43.84	52	57.98
5	211.99	3	39.06	28	44.20	53	58.66
6	179.22	4	38.93	29	44.58	54	59.32
7	155.83	5	38.91	30	44.98	55	59.96
8	138.30	6	38.96	31	45.39	56	60.58
9	124.69	7	39.05	32	45.82	57	61.16
10	113.81	8	39.19	33	46.27	58	61.72
11	104.92	9	39.35	34	46.73	59	62.23
12	97.53	10	39.52	35	47.22	60	62.71
13	91.29	11	39.70	36	47.73	61	63.15
14	85.94	12	39.88	37	48.25	62	63.54
15	81.32	13	40.08	38	48.79	63	63.89
16	77.29	14	40.28	39	49.36	64	64.20
17	73.74	15	40.49	40	49.94	65	64.45
18	70.59	16	40.71	41	50.54	66	64.67
19	67.78	17	40.94	42	51.17	67	64.85
20	65.25	18	41.18	43	51.80	68	64.98
21	62.98	19	41.42	44	52.45	69	65.09
22	60.91	20	41.68	45	53.12	70	65.16
23	59.04	21	41.95	46	53.80	71	65.21
24	57.32	22	42.24	47	54.49	72	65.23
25	55.75	23	42.53	48	55.19	73 AND OVER	65.25
		24	42.84	49	55.89		

Unless otherwise specified by the Insured or by the beneficiary in making such election, the payee or payees may at any time surrender the contract guaranteeing the payment of instalments for the commuted value of the payments yet to be made, computed upon the same basis as Options (2) and (5) in the above table; provided that no such surrender will be made under (3) or (6) except after the death of the payee occurring within the aforesaid twenty years.

The above Modes of Settlement are based upon an assumed interest earning of three per centum, but if in any year the Company shall declare for that year on funds held by it under such Modes of Settlement a greater interest rate than three per centum, the sums payable under Options 1, 2, 4 or 5 and the instalments for the fixed period of twenty years under Options 3 or 6, shall be increased accordingly.

The above Modes of Settlement are not applicable if the beneficiary or payee be a firm or corporation, nor if the net sum payable under the Policy shall be less than $1,000.

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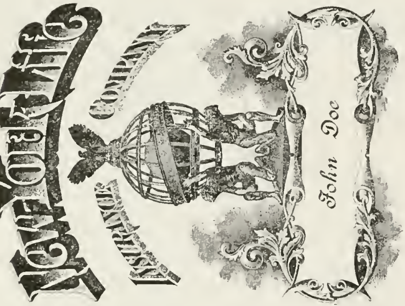
REGISTER OF CHANGE IN MODE OF PAYMENT OF PROCEEDS UNDER THIS POLICY.

NOTE.—Changes of mode of payment and revocation of any change, must be requested in writing and shall not take effect until endorsed on this Policy by the Company at the Home Office.

DATE ENDORSED	HOW PAYABLE	ENDORSED BY



No. 0,000,000

Amount $

Annual Premium $

Notice: It is not necessary for the Insured or the Beneficiary to employ the agency of any person, firm or corporation, in collecting the Insurance under this Policy, or in receiving any of its benefits. Time and expense will be saved by writing direct to the Home Office, 346 and 348 Broadway, New York City.

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ENDOWMENT–910–446

REGISTER OF CHANGE OF BENEFICIARY.

NOTE.—No change, designation, or declaration shall take effect until endorsed on this Policy by the Company at the Home Office.

DATE ENDORSED	BENEFICIARY	ENDORSED BY

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together the net annual costs we have ($10.91 + $31.06) $41.97 as the net annual premium for a twenty-year *endowment insurance* of $1,000 taken at age 35.*

The gross annual premium on this Policy is $51.91 per $1,000, the loading is therefore $9.94. If we deduct the Ordinary Life Loading for same age—as in case of the Limited-Payment Life Policy—we have $9.94 less $7.03 = $2.91. The excess of this net premium over that of the Ordinary Life rate at same age is ($41.97 — $21.08) $20.89. The excess loading is therefore practically 14% of the excess premium. The question arises—why is not the same rule followed as before? The answer is—such was formerly the custom, but under the Wisconsin law of 1907 no life company may do business in that State if its loadings on Endowment Policy premiums exceed one-third of the net premiums on Limited-Payment Life Policies paid-up by a corresponding number of premiums. We have already seen that the net annual premium for a 20-Payment Life Policy at age 35 is $29.85, therefore the loading of a 20-Year Endowment Policy at that age may not exceed $9.95.

Table of Loan and Surrender Values.

If we were to make up a table from the net premium on this Policy—showing premiums received, interest received and death-losses paid until the end of twenty years—as in the case of the Ordinary Life Policy—we should have in the last column amounts representing the reserve fund on hand per $1,000 insured at the end of each year. These amounts are used in case of discontinuance of the payment of premiums—as in each of the preceding policies—in one of three ways, at the option of the Insured, and if no choice is made they are applied automatically to do as nearly as may be what the Insured originally set out to do. First let us see if the Company is complying with the law as to the surrender charge. We give below a table showing (1) the reserve at the end of each year, (2) the cash surrender, or loan value, (3) the surrender charge.

Year	Reserve	Cash Value	Surrender charge
2	$70	$55	$15
3	107	92	15
4	145	133	12
5	185	175	10
6	226	216	10
7	269	262	7
8	313	308	5
9	359	357	2
10	407	407	0

Although the law does not require any value to be given until three years' premiums have been paid, the Company allows nearly 80% of the reserve at the end of the second year. At the third year the surrender charge is $15 per $1,000 (14% of the reserve), and after that it declines to 0. As all the

*In insurance text-books the insurance part of this contract is called Term Insurance, and the endowment part Pure Endowment. When combined they make an Endowment Insurance; but Pure Endowments are so seldom issued, except in connection with an insurance for the same period that such a policy is usually spoken of simply as an Endowment Policy. Having learned how the net single premium and the net annual premiums are obtained both for Term Insurances and for Pure Endowments, it is now to be noted that such premiums for many ages and for many periods have been carefully calculated and are available in tables, which we may have occasion later to consult.

States having laws on the subject—except Massachusetts—allow a surrender charge of at least $25 per $1,000 insured or of 20% of the reserve, it only remains to ascertain if "five per cent. of the present value of all the net premiums which the policy is by its terms exposed to pay", is ever less than $15. In the case of the 20-Payment Life Policy we found that the highest surrender charge allowed at the end of the third year, when the net premium was $29.85 was $18.74. With a net premium in this case of $41.97, and the other factors the same, the surrender charge allowable would be found by the following proportion:

29.85 : 18.74 : : 41.97 : answer.

In short it would be greater than $18.73, hence the surrender charge here is less than the law allows.

Paid-up Endowment Insurance.—Having settled upon the amounts in hand at the end of various years, it now remains to be seen what these amounts will purchase, first—in endowment insurance due at the end of eighteen, seventeen, sixteen, etc., years. We have already seen how the net single premiums may be calculated for any age and any period, and so we may take what we now require from the tables which are accessible in print. By reference to such a table we find the net single premium per $1,000 for an 18-year term insurance at age 37 is $147.17, and that the net single premium at age 37 for a pure endowment due eighteen years hence is $471.97. The sum of the two is $619.14, and this will purchase at age 37, an endowment insurance of $1,000 due at age 55 or at prior death. Going to market with $55 in our purse, how much can we buy at this rate? We have the proportion:

619.14 : 1,000 : : 55 : the answer.

Performing the operations required we get $88.83, and the Policy says $89.

The other amounts of paid-up endowment insurance may be verified by similar calculations.

But when we get to market we may conclude to expend our $55 in the purchase of a temporary insurance of $1,000. How long will this amount carry the insurance? Here we follow the same method as explained under the Ordinary Life Policy. We ascertain the cost of $1,000 insurance for each year, beginning with age 37, adding them together as we go along, until the difference between the sum and $55 is less than the cost of the next year's insurance. Then the balance is used to buy insurance for as many months as it is twelfths of the cost of insurance for that year.

If we used the tables we would note the cost of term insurance at age 37 for one year, two years, etc., until we came to an amount greater than $55. The amount preceding this would be the cost of the full years' insurance, the balance would be applied as before explained to obtain the number of months additional.

At the end of the fifth year we shall find that we have enough to pay for the insurance for fifteen years and have a little money left ($39.17) and with that we would purchase a pure endowment due fifteen years hence. To ascertain how much it would be we would either calculate the net single premium for a pure endowment for $1,000 taken at age 40 and due fifteen years hence, or take the amount from the tables. We should find this to be $530.57. We would then

have the proportion 530.57 : 1000 :: 39.17 : answer. Performing the operation we get 73.82.

The Instalment Tables are the same as in the Ordinary Life Policy.

We have now learned how to find the net single and the net annual premium both for term insurance and for a pure endowment, at different ages and for different periods. Endowment Insurance Policies are issued with 10, 15, 20, 25, 30, 35 or 40 year periods, and the net single and net annual premiums are found by adding together the cost of their two component parts.

Summary of the Discussion.

Reviewing the ground we have gone over, we find that Life Insurance proceeds upon the following assumptions and demonstrations:

1. A standard mortality table expresses with a reasonable degree of accuracy the death-rate which may be expected among a large number of lives at each age of adult life. Knowing the death-rate at each age we may compute the cost of insuring against the contingency of death during any year of life.

2. This cost increases from year to year until it reaches 100% of the insurance; but the cost of a whole life insurance may be paid for by equal annual payments, either during whole life or during a fixed period, by making the present value of such payments equal to the present value of the insurance. As the cost of insurance is an increasing cost, if it is paid for by equal annual payments, such payments in the earlier years of the insurance will be greater than the current cost of the insurance, and in the later years less than the current cost; the overpayments of the early years must therefore be accumulated at compound interest at the rate assumed in computing the present value of the insurance and the present value of the payments to be made therefor.

3. These accumulations are fixed with mathematical accuracy by the mortality table and the rate of interest assumed in computing the present value of the insurance and the present value of the annual payments to be made therefor; they are always equal to the difference between the present value of the insurance and the present value of the payments yet to be made; the accumulations on each Policy continue to increase from year to year as long as the Policy remains in force, or until the Insured reaches the age at which the mortality table used in computing them ends, when they become equal to the insurance.

4. These accumulations constitute the Policy reserves of the insuring company; they are an essential part of the provision made for the ultimate payment of the policies at maturity, and are a part of such payment; they are the basis of the Policy guarantees respecting cash surrender value and paid-up, and extended insurance, in case the annual payments by the Insured are discontinued; the holding of reserves is by the law of the State necessary to the solvency of the insuring company.

5. The annual payments computed as above upon certain rates of mortality and interest to provide for death-losses are called net annual premiums; the expenses of administration are provided for by an addition to the net

annual premium called the loading; the loading is supposed to provide for all other contingencies including unexpected losses and to be sufficient, in the case of policies participating in the surplus of the Company, to provide for certain returns in the form of dividends; the sum of the net premium and the loading is called the gross premium, or the office premium, and this is the premium written in the Policy as the consideration for the insurance contract.

6. In the case of an Endowment Policy, provision is made in the net premium for the present value of the insurance during a fixed period and for the present value of an endowment of equal amount in case the insured survives until the end of the period. These present values are separately computed and the sum of the net premium for the insurance and the net premium for the endowment is the net premium for an endowment insurance. To this net premium is added a charge called the loading for expenses, taxes and contingencies and, in the case of the New-York Life, for dividends, and the sum is the gross, or office premium, written in the Policy as the consideration for the contract of endowment insurance.

7. The same conditions as to overpayment and accumulation obtain under endowment policies as under whole life policies, until the end of the endowment period.

8. While the net premiums with interest are intended to be sufficient to provide for all death-losses and endowments, and while the loadings are intended to be sufficient to provide for all other expenditures, yet their computation only marks the several steps taken to ascertain the gross premium, in consideration of which the Company undertakes the contract. The gross premiums and all other items of income go into a common fund from which all disbursements are made. While the law takes account of the component parts of the gross premium in determining a limit for expenses, it does not require that these component parts shall be used for the specific purposes had in view in their computation. On the contrary, it specifically provides that certain assumed mortality gains and certain gains from lapses may be used in acquisition expenses, and that a contingency reserve may be built up within certain limits by savings or surplus from any source whatsoever. This surplus is available for any needs of the Company. In short, a life company undertakes, with the money it receives from all sources, to carry out its contracts in accordance with the provisions of law under which it operates.

In the following chapter we shall show how the assumptions of mortality, interest, loading, expenses of administration, etc.—which find place in the gross premium—are adjusted to the facts as they find expression in the actual experience of the Company.

CHAPTER II.

APPORTIONMENT OF SURPLUS.

Legal Requirements.

The three representative Policies which we have considered in the foregoing chapter provide that they shall participate in the surplus of the Company, and that the proportion of surplus accruing to each shall be ascertained and distributed annually and not otherwise. The latter clause is the language of the statute of the State, which provides further that the surplus earned shall be ascertained as soon as may be practicable after December 31 of each year; that after setting aside from such surplus such sums as may be required (1) for the payment of authorized dividends upon capital stock (in the case of companies having capital stock) and (2) of such sums as may properly be held for account of existing deferred dividend policies, and (3) for a contingency reserve not in excess of the amount prescribed in the same article,—the remainder shall be apportioned to all other policies entitled to share therein.*

It will be seen that the determination of the surplus to be equitably apportioned to a single annual dividend policy involves a consideration of the entire business operations of the Company for the year. We must not be surprised therefore if our study takes us over a good deal of ground. But we should bear in mind that our purpose is not so much to determine the amount of the annual dividend as it is to study the methods by which it is arrived at. So let us go forward patiently step by step.

The normal sources of surplus in life insurance are four:

1. An expense rate lower than that provided in the loading;
2. A death-rate lower than that provided for in the net premium;
3. An interest rate higher than that assumed in calculating the premium (this rate including net profits on investments);
4. Excess of Policy reserve on Policies discontinued, over the returns made on such Policies.

Before a dividend can be paid on a life Policy the following items must be provided for: (a) the Policy's share of the expenses of the Company; (b) the Policy's share of the death-losses; (c) the Policy's legal reserve at the end of the year; and (d) such contributions to the contingency reserve as may be judged necessary and proper by the Trustees of the Company. As these various factors are in a large degree prescribed by law, it will be necessary before entering upon an examination of the sources of surplus from which these dividends were derived, to examine the provisions of law which direct: (1) how expenses are to be limited and apportioned; (2) what rate of mortality may be assumed; (3) what reserves *may be held* at the end of various years and what *must be held;* and (4) how a contingency reserve, or unappropriated surplus, may be built up and maintained within certain maximum limits.

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*Insurance Law, Sec. 83.

Limitation of Expenses.

We have seen that the provision made in the premium for expenses and contingencies—the loading—is the same in all years during the premium-paying period. But the expense of inducing people to apply for life insurance policies is very much greater than the expense of caring for the policies, and this greater expense is all incurred in the first year. Agents' first year's commissions, the cost of medical examination and of inspection and other expenses connected with the acquisition of new business, exceed the loading in the first year's premium. One of the most serious problems of life insurance management has been the proper apportionment of first year's expenses.

As the mortality is much less than the normal during the first five years, it is advantageous to a life company to secure new business even at an outlay greater than the loading. The law takes account of this and makes a distinction between the expense allowable in the first, and in subsequent, years of insurance as follows:

First year's expenses must not exceed (a) the loadings upon first year's premiums, plus (b) the present values of the assumed mortality gains for the first five years of insurance on policies in force at the end of the calendar year, as ascertained by the select and ultimate method of valuation as provided in section 84, plus (c) the gross premiums on policies issued and terminated during the year less the net cost of insurance while in force.

Renewal commissions and collection fees are limited—(a) on endowment policies payable by less than twenty annual premiums—to five per cent. for fourteen years; (b) on other forms of policies—to seven and one-half per cent. for nine years and five per cent. for the next five years; (c) on all policies after the first fifteen years—to a collection fee not exceeding three per cent.

Total expenses are limited to (a) total loading on premiums received, plus (b) assumed mortality gains, plus (c) an amount for investment expenses not exceeding one-fourth of one per cent. on mean invested assets, plus (d) real estate taxes and other outlays exclusively on real estate.*

Assumed Mortality Gains.

The "assumed mortality gains" spoken of in connection with the expenses on new business will be understood from the following *résumé* of section 84, on Valuation of Policies: The Superintendent shall make annually valuations on the net premium basis of the policy contracts of all companies doing business in the State. The legal minimum standard for contracts issued prior to January 1, 1901, shall be the Actuaries' Table of Mortality with interest at 4% per annum; and for contracts issued after that day the American Table with interest at 3½%, provided that the legal minimum valuation of all contracts issued on or after January 1, 1907, shall be in accordance with the *select and ultimate* method, and on the basis that the rate of mortality during the first five years after the issuance of the said contracts respectively shall be calculated according to the following percentages of the rates shown by the

*For the full text of Section 97—Limitation of Expenses—see Appendix, page 128.

American Table, to wit, first insurance year 50%, second year 65%, third year 75%, fourth year 85%, fifth year 95%. The superintendent *may vary the standards of interest and mortality* in the case of corporations from foreign countries as to contracts issued in other countries than the United States; and *in particular cases of invalid lives and other extra hazards.*

The legal minimum standard for the valuation of annuities issued after January 1, 1907, shall be McClintock's "Tables of Mortality Among Annuitants", with interest at 3½%, but annuities deferred ten years or more and written in connection with life or term insurance* shall be valued on the same mortality table from which the consideration of premiums were computed with interest not higher than 3½%.

*Any life insurance company may voluntarily value its Policies or any class thereof, according to the American Experience Table * * * * at a lower rate of interest than that prescribed, but not lower than 3%, and with or without reference to the select and ultimate method of valuation, and in every such case shall report any excess of its valuations over those computed by the legal minimum standard and also the standards used by it in making the same, and if such other standards are adopted they shall not be abandoned without the written consent of the Superintendent of Insurance.*†

Particular attention is called to the matter in *italics,* because the New-York Life varies its standard in the case of sub-standard lives, lives insured in tropical and sub-tropical countries, and uses the American Table of Mortality with 3% interest in calculating the reserves on the Policies now under consideration, but does not avail itself of the abatement in the reserves allowed by the select and ultimate method at the end of the first, second, third and fourth years.

A condensed statement of Section 87, relating to contingency reserve, or unappropriated surplus, is as follows: A domestic life company may accumulate and maintain, in addition to the net value of its policies computed according to the standard adopted by it under Section 84, a contingency reserve not exceeding the following percentages: The largest percentage is 20% or $10,000, whichever is greater—when net values of its Policies are $100,000 or under. The percentage decreases as net values increase until the minimum of five per cent. is reached when net values exceed seventy-five million dollars. Accumulations held on account of deferred dividend policies are not considered as a part of the contingency reserve.

The Select and Ultimate Method of Valuation.

The select and ultimate method of valuation is an attempt to fix the maximum amount that may safely be expended by a life company for new risks in excess of the first year's loading—in view of the lower mortality of such risks during the first five years of insurance. It allows a company to expend during the first year the present value of these assumed mortality gains, and to hold a smaller reserve per $1,000 at the end of the first, second, third and fourth years of insurance. The method, according to its author, Mr. Miles Menander

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*Such as we have already considered in the payment of life and endowment policies.

†For the full text of Section 84, see Appendix, page 120.

Dawson, "charges the company with its actual liability, as nearly as possible, allowing for selection. The effect of it, as compared with the full net premium reserves by the usual formula, is to allow the gains from mortality during the first five years as an offset to the initial expense incurred in securing those fresh lives * * * After the fifth year the reserves * * * * are the full net premium reserves by the usual formula."*

As the net premium is calculated upon the assumption that the full table rate of mortality will be experienced and the full reserves held at all times, we must now consider: (1) how much less than the amount provided will be necessary for death-losses; (2) how much more will be received in net premiums from the larger number of living; and (3) how much more will be needed as a reserve for the larger number of living at the end of five years. The following table shows the number living and dying, and the present values of the death-losses in each year at the table rate of mortality:

Age	Living	Dying	Losses	Present Values
35	81,822	732	$732,000	$710,679.77
36	81,090	737	737,000	694,693.25
37	80,353	742	742,000	679,035.36
38	79,611	749	749,000	665,476.76
39	78,862	756	756,000	652,132.40
40	78,106			
	Total present values			$3,402,017.54

The following table shows the same items by the select and ultimate method:

Age	Living	Dying	Losses	Present Values
35	81,822	366	$366,000	$355,339.88
36	81,456	481	481,000	453,388.68
37	80,975	561	561,000	513,394.66
38	80,414	643	643,000	571,297.14
39	79,771	726	726,000	626,254.13
40	79,045			
	Total present values			$2,519,674.49

The new figures of living and dying are obtained as follows: The first year we have the number of living as in the table; the mortality being 50% of the normal the number dying will be half the number of dying by the table. The new number of living at age 36 is 81,822 less 366 = 81,456. The table rate of mortality for age 36 is (the number of dying divided by the number of living) the decimal .009089, and the select and ultimate rate is 65% of this, or .00591, and at this rate the number of deaths among 81,456 will be 481. Deducting this number from 81,456, we get the next number of the living and proceed as before. The amounts are discounted for one, two, three, four and five years respectively by using the decimals from the table of values of one dollar due in one, two, three, etc., years.

The following table shows the excess number of living at each age over the numbers of the Mortality Table—who will pay net annual premiums of $21.08 on the Ordinary Life Policy:

Age	Excess No.	Amount of Prems.	Present Values
36	366	$7,715.28	$7,490.56
37	622	13,111.76	12,359.09
38	803	16,927.24	15,490.83
39	908	19,140.64	17,006.21
40	939		
	Total present values		$52,346.69

*Mr. Dawson was Actuary to the Armstrong Committee.

There are now 939 more living than the table shows and the reserve for each $1,000 insurance at the end of the fifth year is $68.16; hence the additional reserve required will be $64,002.24, the present value of which is $55,208.84. To sum up—we have—

Present values provided in net premiums at regular mortality rates	$3,402,017.54
Additional present values provided in net premiums by larger number of living	52,346.69
Total	$3,454,364.23
Of which there will be needed—	
Present value of death-losses by select and ultimate method	$2,519,674.49
Reserves for additional number living five years hence	55,208.84
Total	$2,574,883.33

Excess of present values provided over those needed for death-losses and reserves, $879,480.90. As there was $81,822,000 insurance taken at age 35 this gives an "assumed mortality gain" of $10.75 for each $1,000.

The assumed mortality gains under a Twenty-Payment Life Policy taken at age 35 are found in a similar manner to be $10.52, and those under a Twenty-Year Endowment Policy, $10.21.

The reserve at the end of each of the first four years by the select and ultimate method may be obtained in the same manner as shown in the table on page 108. We begin, as in the table—with 81,822 persons insured. But as $10.75 is assumed mortality gains and is set aside for first year's expenses out of the first net premium, the amount received for death-losses and reserves the first year is $21.08 less $10.75 = $10.33. We then proceed as in the first table. The amount received the first year for our present purpose will be

81,822 x $10.33 =	$845,221.26
Add one year's interest	25,356.63
Total	$870,577.89
Deduct death-losses	366,000.00
Balance	$504,577.89

Dividing this by the number living (81,822 — 366) 81,456 gives $6.19 the reserve per $1,000 by the select and ultimate method at the end of the first year. After the first year the full net premium is used with the number living and dying as shown by the select and ultimate method above. The reserves per $1,000 insured for the Policies under consideration by the American Table and by the select and ultimate method are shown as follows:

End of	Ordinary Life		20-Payt. Life		20-Year Endt.	
Year	A. T.	S. & U.	A. T.	S. & U.	A. T.	S. & U.
1	$12.88	$6.19	$22.00	$15.50	$34.59	$28.35
2	26.13	22.32	44.72	41.05	70.40	66.92
3	39.76	38.04	68.20	66.56	107.50	105.93
4	53.77	53.33	92.46	92.05	145.91	145.50
5	68.16	68.16	117.52	117.52	185.71	185.71

At the end of the fifth year the full reserve is held on each policy, and although the number of policies is now greater than in the table on page 108

the reserve for each Policy is in hand and the net annual premiums will be hereafter paid by each, so it does not matter whether the number is great or small—the reserve, together with the net premiums and interest, will pay all death-losses as they occur.

What we have just gone over has its bearing on the question of dividends in this way—it shows that if the full amount allowed by law is used in first year's expenses there will be no surplus at the end of the first year from (a) loading, nor from (b) mortality gains actually realized. All that remains of premium and interest at the end of the first year is $6.19 per $1,000, the small reserve allowed by the select and ultimate method. Moreover, there will be no surplus from mortality gains during the next four years, because such gains have already been appropriated to bring the reserve up to the regular table rate at the end of the fifth year. Still further—*we have not charged the new Policy in its first year with its proportion of the general expense of the company.*

As the law allows the whole present value of assumed mortality gains to be used for first year's expenses, and makes no provision for general expenses in the first policy year, it virtually authorizes a company to pay those expenses out of surplus—in other words, to borrow this amount from the other policy-holders, assuming that it will be made up in the years following. We shall see the bearing of this assumption and how the loan may be adjusted as we proceed with our study of the policies under consideration.

Ascertaining the Expense Rate.

In order that we may follow these policies through several years we will assume that they were written in 1908, and will now ascertain the actual expense rate of the Company during that year under three heads (a) acquisition expenses to be borne by new business only; (b) renewal expenses to be borne by old business only; (c) general expenses to be borne alike by new and old business.

We give here a *résumé* of the method by which expenses are apportioned to old and new business and print in the appendix the full text as made up by the Actuaries' Department of the Company. From the total disbursements shown in the annual report to the Insurance Department are deducted the sums paid policy-holders under all forms of contract. To the balance thus obtained are added commissions paid on reinsurance premiums, such commissions and reinsurance premiums not being included in income and disbursements for reasons explained on page 62. From this total are deducted (a) certain bookkeeping items which appear in both the income and disbursement accounts (and so balance each other); (b) certain items which are deducted from the interest account in making up the net effective rate of interest (including investment expenses); and (c) expenses on annuities and on single premiums. The balance shows the amount of *insurance expenses* to be assessed upon *annual premiums for insurance*. The remaining items are divided into three parts according as they represent (1) direct acquisition expenses, (2) renewal expenses, and (3) general expenses. The following results are shown:

I. Direct acquisition expenses	$2,722,672
II. Renewal expenses	1,076,472
III. General expenses	5,180,742

We have already seen in our examination of the loading on Limited-Payment Life Policies and Endowment Policies that it consists approximately of the Ordinary Life loading plus one-half this rate on the excess of the premium over the Ordinary Life premium. This excess is called the higher premium element. In order to bring all premiums to a common basis for the assessment of expenses an adjustment is made of other than Ordinary Life premiums as follows: To an amount equal to the Ordinary Life element is added one-half the balance or higher premium element. The same result is reached by adding together the total premiums and the Ordinary Life element in all and taking half the sum. To illustrate: the premiums on the three Policies under consideration are—

Ordinary Life	$28.11
Twenty-Payment Life	38.34
Twenty-Year Endowment	51.91
Total	$118.36
Ordinary Life element 28.11 x 3	84.33
One-half higher premium element (118.36 — 84.33)	17.01
Total adjusted premiums on the 3 policies	$101.34

The sum of the three adjusted premiums is 84.33 + 17.01.

It is also $\frac{118.36 + 84.33}{2}$

To the Company's ordinary renewal premiums are added the reinsurance premiums, and the above adjustment is made with the following result:

I. Adjusted new premiums	$4,808,000
II. Adjusted renewal premiums	61,505,000
III. Total adjusted premiums	66,313,000

Dividing the corresponding amounts of expenses by the amounts here shown gives the following ratios of expense:

I. Ratio of acquisition expenses	56.63%
II. Ratio of renewal expenses	1.75%
III. Ratio of general expenses	7.81%

Considering the expense rate from its legal side we have the following:*

Total first year's expense margins	$3,189,480
Total acquisition expenses	2,794,223
Ratio of acquisition expenses to expense margins	87.61%
Total expense margins on all business	$18,143,194
Total expenses	9,867,161
Ratio of total expenses to total expense margins	54.38%

Ascertaining the Interest Rate.

We will now consider the interest rate, following the same method as in the case of expenses. It should be noted at the outset that we are not seeking to obtain the real rate of interest earned upon the Company's investments, but the *Net Effective Rate* received, for the purpose of the dividend, upon the Policies under consideration. If we were doing the former we should take the ledger assets of the Company as the basis of our divisor; but for our present purpose we take a divisor based upon these liabilities of the Company which from their nature need to earn interest. With this thought in mind the division of the liabilities of the Company into (a) liabilities not required to bear interest, and (b) liabilities normally drawing interest, will be understood.†

*See N. Y. Ins. Report, business of 1908, page 216.

†See Appendix, page 109.

The *amount* of net effective interest includes all credit items of profit and loss, and excludes all debits of a similar character, real estate expenses and taxes, income tax on interest receipts and the cost of caring for investments. The law allows for the latter one-fourth of one per cent. upon the mean invested assets. In the first year (1907) after the law went into effect the Company made the full deduction in determining expense ratios and net effective interest rate. In 1908 it took three-sixteenths instead, and in 1909 it reduced it to one-eighth. After making the proper adjustments the Net Effective Rate of interest is found to be 4.225%.

This was the net effective rate derived from the entire funds of the Company; but there were certain adjustments to be made by reason of a requirement of the French Government—that certain investments for the protection of French policy-holders should be made in French bonds. As these bonds bear a rate of interest lower than that obtained from the Company's other securities, three net effective rates of interest were obtained: (1) the rate shown above—obtained from all the Company's securities; (2) the rate obtained by omitting the French bonds from the calculation; (3) the rate obtained from all securities deposited with the French Government—assuming all except the bonds in question to earn the rate (2). The rate applicable to the Policies under consideration is rate (2), 4.238%.

No Dividend Earned in First Year.

We are now ready to consider how our three Policies issued in 1908, stand at the end of the first year with respect to a dividend under the most favorable assumptions possible. We give below the showing of each Policy assuming (1) an acquisition expense rate equal to 87.61% of the expense rate allowed by the law; (2) a general expense rate of 7.81%—the actual rate of the Company; (3) the select and ultimate rate of mortality, and (4) the select and ultimate reserve at the end of the year.

ORDINARY LIFE POLICY.

Premium received		$28.11
*Acquisition expenses	$15.58	
General expenses 7.81% of premium	2.20	
Total expenses		17.78
Balance		$10.33
Add interest at 4.238%		.44
Total		$10.77
†Deduct net cost of insurance		4.45
Balance		$6.32
Select and ultimate reserve		6.19
Surplus		$0.13

* The legal expense margins are: loading $7.03, assumed mortality gains $10.75; total $17.78, of which 87.61 per cent. is $15.58.

† The net amount at risk is $1,000 less the reserve on hand at the end of the year. The cost is found by multiplying the net insurance $994 by the risk of death .004473—which is 50 per cent. of the table rate.

TWENTY-PAYMENT LIFE POLICY.

Premium received		$38.34
*Acquisition expenses	$16.65	
†General expenses 7.81%	2.59	
Total expenses		19.24
Balance		$19.10
Add interest at 4.238%		.81
Total		$19.91
‡Deduct net cost of insurance		4.40
Balance		$15.51
Select and ultimate reserve		15.50
Surplus		$0.01

*The legal expense margins are: loading $8.49, assumed mortality gains $10.52, total 19.01, of which 87.61% is $16.65.

†Calculated on the adjusted premium $\frac{28.11 + 38.34}{2} = 33.22$.

‡The net insurance—$1,000 — 15.50 = $984.50.

TWENTY-YEAR ENDOWMENT POLICY.

Premium received		$51.91
*Acquisition expenses	$17.65	
†General expenses 7.81%	3.12	
Total expenses		20.77
Balance		$31.14
Add interest at 4.238%		1.32
Total		$32.46
Deduct net cost of insurance		4.35
Balance		$28.11
Select and ultimate reserve		28.35
Deficit		$0.24

* The legal expense margins are: loading $9.94, assumed mortality gains $10.21, total $20.15, of which 87.61 per cent. is $17.65.

† Calculated on the adjusted premium $\frac{28.11 + 51.91}{2} = 40.01$

Under these favorable assumptions the three policies show as a whole a slight deficit. Nevertheless the Company does not stand to lose anything—because it still has on hand a small balance from each and if the second premium is not paid no reserve will be needed. It is obvious that no dividend can properly be declared on them, because if declared it must be paid whether the second premium is paid or not.

This Result Foreseen.

The Officers of the Company foresaw that this would be the case when it resumed the issue of annual dividend policies, in 1906, in anticipation of the

law taking effect in 1907, and it sent out with each Policy a notice to that effect, in order to prevent disappointment on the part of policy-holders. The Company also took early steps to devise a proper method of accounting with annual dividend policies during the first five years of their existence. During these years these Policies confessedly stand in a different relation to the Company—that is to say, the whole body of policy-holders—from that which they afterward occupy—first in reference to acquisition expenses, second in reference to mortality, and third in reference to profits from discontinued policies. The law assumes that the first difference will be offset by the second; but it takes no account of general expenses in the first year, nor of the profits from lapses—which are chiefly in the first five years, both because of the larger proportion of lapses during those years and because of the larger surrender charge in proportion to the reserve. It virtually assumes that one of these will offset the other.

The New-York Life did not wish to avail itself of the permission of the law to hold a reserve smaller than the full table rate, nor did it wish to assume a mortality in accordance with the select and ultimate method. It preferred to set aside the full reserve—which the law allows it to do—and to be guided by its own mortality and lapse experience. It has been in business over sixty-five years and has constructed from its own experience a mortality table representing a large part of that experience in each year of insurance from the first to the twentieth. This *might* be called the New-York Life's Select and Ultimate Table—it is called the "Compound Progressive Mortality Table". Assuming these rates and its own experience as to lapses it worked out the problem in advance and found:

1. That loadings on first year's premiums plus mortality savings and profits from lapses during the first five years might safely be relied on to pay both acquisition expenses and general expenses of the first year and to make good the difference between the select and ultimate reserve and the full reserve;

2. That the Company might therefore safely set aside the full reserve at the end of each year;

3. That dividends might be apportioned after the first year from (a) surplus from the loading, and (b) surplus from excess interest over three per cent. on the reserve.

This method has several important advantages over a year by year estimate of all the factors in the case: (1) It bridges over the hiatus left by the law with respect to general expenses of the first year of insurance; (2) it leaves the Company free to base the dividend upon factors which are fairly constant, and which result normally in an increasing dividend each year; and (3) by placing the full reserve to the credit of the Policy each year the cash surrender, loan and insurance values may be made larger in the early years of the policies than they could be if only the select and ultimate reserve were used.*

* The annual dividend policies issued by the Company in 1906 are now in their fifth year and are showing the results assumed.

Ascertaining the Dividend Earned in Second Year.

Let us now consider what dividends may be paid on the Policies in question at the end of their second year. The Net Effective Rate of Interest for this purpose in 1909 was 4.35%, and Expense Ratios were as follows:

I.	Ratio of first year's expenses	56.13%
II.	Ratio of Renewal expenses	1.79%
III.	Ratio of general expenses	8.17%

The general expense ratio and the renewal expense ratio chargeable on these Policies give a ratio of 9.96%.

Applying this ratio to the Policies under consideration we get the following results:

ORDINARY LIFE POLICY.

1st item of surplus—from loading:		
Loading from second premium		$7.03
Expenses—9.96% of $28.11		2.80
Balance		$4.23
Add interest at 4.35%		.18
Total		$4.41
2d item of surplus—from excess interest:		
Reserve end of first year		$12.88
Net premium received		21.08
Reserve end of second year		26.13
		$60.09*
Mean amount at interest		$30.04
Interest at 1.35% (4.35—3.00)		.41
1. Surplus from loading	$4.41	
2. Surplus from excess interest	.41	
	$4.82	
Dividend 97%	$4.67	

TWENTY-PAYMENT LIFE POLICY.

1st item—surplus from loading:		
Loading from second premium		$8.49
Expenses—9.96% of $\frac{28.11 + 38.34}{2}$		3.31
Balance		$5.18
Add interest at 4.35%		.22
Total		$5.40
2d item—surplus from excess interest:		
Reserve end of first year		$22.00
Net premium received		29.85
Reserve end of second year		44.72
		$96.57*
Mean amount at interest		$48.28
Interest at 1.35%		0.65
1. Surplus from loading	$5.40	
2. Surplus from excess interest	.65	
Total surplus	$6.05	
Dividend 97%	5.86	

*See note next page.

TWENTY-YEAR ENDOWMENT POLICY.

1st item—surplus from loading:		
Loading from second premium		$9.94
Expenses 9.96% of $\frac{28.11 + 51.91}{2}$		3.98
Balance		$5.96
Add interest at 4.35%		.25
		$6.21
2d item—surplus from excess interest:		
Reserve end of first year		$34.59
Net premium received		41.97
Reserve end of second year		70.40
		$146.96*
Mean amount at interest		$73.48
Interest at 1.35%		0.99
1. Surplus from loading	$6.21	
2. Surplus from excess interest	.99	
Total surplus	$7.20	
Dividend 97%	6.98	

Of course it was the duty of the Trustees to consider what part—if any—of the surplus arising from these policies should be appropriated to contingency reserve and what part to a dividend. Life insurance is a system based upon averages—averages of lives, averages of years and averages of experience in investing money, and the object is to produce from these averages certain uniform results. The dividend declared by the Company upon these policies was 97% of the total surplus arising in 1909 from the two sources named, and 100% of such surplus in 1910. The dividends as found above are those earned in 1909 and paid in 1910. Those paid in 1911 on the three policies in question were $4.82, $6.14 and $7.40 respectively. They may be verified by using the expense ratio and net effective rate of interest for 1910, which are as follows:

Total expense ratio applicable to old business 1910	10.34%
Net effective interest rate for policies of this class	4.23%

We have now examined three representative policies clause by clause, to ascertain just what they guarantee to the holder; we have gone over the mathematical calculations upon which the different benefits are based; we have seen how surplus earnings are apportioned; we have left the policies in force on the books of the Company. It is now time to examine the business of the Company as a whole, and this we propose to do in the following chapter.

*The sum of the reserve at the end of the first year and of the net premium received at the beginning of the second year constitute the reserve at the beginning of the second year. The mean amount at interest is therefore one-half the sum of these amounts and of the reserve at the end of the second year.

CHAPTER III.

REPORTS AND EXAMINATIONS.

The reader cannot do better at this point than to turn to the Appendix and read sections 44, 45 and 103 of the Insurance Law. These sections (1) impose the obligation to make annual reports, (2) give the Superintendent authority to prescribe forms, and (3) declare that such reports shall contain certain information specified. This does not prevent the Superintendent from requiring much more—it makes it certain that certain information will not be omitted. We will take up first the report required by the State of New York and then indicate briefly the additional information required by the authorities of other States and countries.

Outline of Annual Report.

The report of the New-York Life to the New York Insurance Department for the year 1910 is a printed folio volume of 168 pages and consists of—

1. Income and Disbursements; Assets and Liabilities in the form of a balance sheet—beginning with the ledger assets of the previous year, and ending with the gross assets as admitted by the Insurance Department;

2. An Exhibit of Policies, showing the number and amounts in force at the beginning and end of the year and the changes during the year. This is made for the State of New York on the basis of paid-for business only; for other States —as their laws require—either on a paid-for basis or an issued basis;

3. Business in the State of New York in brief—the copies going to other States containing an exhibit of the business in those States;

4. Gain and Loss Exhibit showing actual expenses, interest and mortality in connection with legal allowances and office assumptions respectively; the profits from lapses and surrenders, gain and loss on investments, etc.;

5. Premium Note account;

6. Schedule of cash and deposits of the Home Office with banks and trust companies in the United States and Canada; and cash with foreign banks, governments and Branch Offices;

7. Special and General Deposit Schedules, showing in detail the securities deposited with the authorities of different States and countries in pursuance of legal requirements;

8. Real Estate Schedule, showing each parcel of property owned by the Company, with particulars of cost, income, taxes and improvements; also details of all purchases and sales made during the year;

9. Mortgage Schedule, with description, location, etc., of each piece of property mortgaged to the Company; also an account of mortgage loans made, increased, reduced, discharged or disposed of during the year; also showing the amount loaned in each State and foreign country.

10. Collateral Loan Exhibit, with similar information;

11. Bond Schedule, showing in detail the bonds owned with book, par and market values; date of purchase and from whom acquired, interest received, etc.; also separate schedules of all bonds acquired or disposed of during the year, with the profit or loss on each lot sold;

12. Schedule of Bank Balances, showing the largest balance carried in each bank and trust company in each month of the year;

13. Schedule of Contested Policies, showing name and residence of insured, amount of Policy, reason for contesting; also all settlements of contested cases made during the year;

14. Schedule of Salaries, Compensation and Emoluments of all persons or corporations, to whom $5,000 or over was paid during the year;

15. Schedule showing all salaries paid for agency supervision;

16. Schedule showing all commissions paid on loans or on purchase or sale of property during the year;

17. Schedule of Legal Expenses, showing amounts, to whom paid, and for what service rendered;

18. Schedule of Expenditures, in connection with matters before legislative bodies, officers or departments of government;

19. Dividend Schedule, showing dividends paid under all forms of policies in various years and for various ages; including explanations of the methods by which dividends were calculated on all classes of policies;

20. Schedule showing in detail all money expended in connection with the election of directors.

21. In addition to this printed form Policy Valuation Schedules are furnished, showing in groups by kind of Policy, amount of insurance, age of insured, and years in force, the data necessary for making a complete valuation of its Policy liabilities.

Income and Disbursements.

Having given this general outline of the Annual Report, let us dig into the Income and Disbursement accounts a little. There are some items that will need explanation, and here is a good place to show why some items are treated as they are in the calculation of Net Effective Rate of Interest and the Expense Ratios—already used in the calculation of dividends. For this reason we will use the Report for 1908 and account for the treatment of certain items therein.

The first item in the income account that is dealt with in a peculiar way, is reinsurance. When a company writes a policy for a larger amount than it wishes to carry on a single life, it reinsures a part of the risk in another company. But in order that the same transaction may not be counted twice in summations including the business of the various companies, the premiums received on the amount reinsured, the commissions paid, and the death-losses paid on same are included in the report of the reinsuring company only. The original company reports its premiums received less reinsurance premiums, its

commissions paid less reinsurance commissions, and its death-losses less the amount received from other companies on risks reinsured. Dividends, however, are paid by the original company upon the whole amount, hence in calculating the expense ratio the premiums received and the commissions paid are included in the calculation. If the risk is reinsured at a participating rate, dividends are paid by the reinsuring company to the original company.

The item "consideration for supplementary contracts involving life contingencies" refers to death-losses the value of which the beneficiaries are to receive in a fixed number of annual instalments *and annuity or in annuity alone.* When such a Policy matures the Company credits itself with having paid it as a death-loss and charges itself with the same amount as consideration for the supplementary contract. If the amount is to be paid in instalments *without annuity,* it is treated in the same way, except that it appears as income under the item, "Consideration for supplementary contracts *not* involving life contingencies."

The other entries in premium income are easily understood and no further reference would be made to them were it not that one of them is sometimes differently treated. In the New-York Life's report dividends are reported according to the cash dividend system—not according to the reversionary dividend system. The Trustees declare a dividend because the Company has so much cash to divide —not because it has so much paid-up insurance to divide. The entries are made in the report according to the way the dividend is finally applied and in no other way. The reversionary dividend system increases the figures of premiums received, insurance (paid-up additions) written, insurance surrendered and cash paid for insurance surrendered, without putting a penny more into the company's till, or into the policy-holder's pocket. It is a relic of the time when dividends were made in paid-up additions to the Policy—and in no other way.*

Items Treated in an Exceptional Way.

There are some items in income that are neither premiums nor interest; and there are some disbursements that are neither payments to policy-holders nor expenses of management; these are the items which we propose to explain and to show how they are treated. While they are strictly matters of bookkeeping, they are none the less matters which pertain to practical life insurance. The bookkeeping methods adopted are intended both to show a true balance—accounting for all moneys received and expended—and also so to segregate certain items as to show their true character. Some appear on both sides of the account and so balance each other. As most of these items are dealt with in the interest and expense calculations, we will take up in this connection these papers as printed in the appendix. See page 109; also what is said of the purpose of the calculation on page 56.

The comments referred to above will explain the purpose and the method used in ascertaining the proper divisor in the paper on Net Effective Interest Rate. Let us note why certain items are deducted from, and why others are included in

* See S. C. H., page 313; also New York Ins. Report for 1908, page 167, note, and Mass. Ins. Report, page 125, note.

interest. Account is first taken of the state of the interest account at the beginning and close of the year and *the increase in net interest and rents due and accrued* is included. The amount due and accrued a year ago belongs in the previous year's interest earned but was received this year; while the amount now due and accrued was earned this year; hence the increase is added to actual receipts. The amount of accrued interest is large—the explanation is it includes all the coupons due January first, while the report covers the year ending December thirty-first preceding.

In order to get the net income from real estate, taxes and repairs must be deducted; as securities are disposed of by reason of maturity or otherwise items of profit and loss appear on both sides of the account. The interest account is entitled to all gains and must bear all losses—they are necessary incidents in the investment of money. The same is true of exchange and of bank charges—sometimes exchange is in the Company's favor and the interest account is credited with the gain; sometimes it is against the Company and the interest account is charged with the loss. Sometimes—usually—the Company receives interest on bank balances—but under certain circumstances banking privileges cost something and the cost is charged to interest account. A doubtful debt is marked off and charged to profit and loss; if later it is recovered it is credited to the same account.

The assets at the end of the year include the interest received during the year. As interest is not reckoned on interest in the year it is received—the amount of the interest is deducted—one-half in taking the mean of the assets at the beginning and end of the year, the other half by subtraction from the mean amount. If a man has $100 at the beginning of the year and receives $10 per month during the year and interest at 4%, his interest rate would prove up as follows: Assets at beginning of year $100; interest on same for year $4.00; interest on half of $120—$2.40; assets at end of year $226.40; mean amount $163.20. The interest is $6.40 and the rate 4%, the divisor must therefore be $160, that is the mean amount $163.20 less half the interest.

With the explanations already made the student will have no difficulty in understanding the treatment of various items in the paper on Assessment of Expenses.

Expenses Imposed by Law.

Resuming our examination of the income and disbursement accounts we note (in disbursements) the deduction from the amount of death-losses paid the amount reinsured—for reasons already explained. The account is carefully itemized after the form furnished by the Superintendent of Insurance, and this form determines under what head disbursements must be entered. Those that are in the nature of profit and loss we have already met with and disposed of. Only three others call for comment here—the amount paid the Insurance Department for an examination of the Company ($18,925.03), the amount paid as taxes of various kinds imposed by State, county and city laws ($943,460.22), and the amount paid for Trustee Election expenses ($34,736.02). These expenses were all imposed by law.

As will be seen by reference to Section 39 of the Insurance Law, printed in the Appendix, the Superintendent must examine every company at least once every three years. The New-York Life was examined in 1908, and an examination is going on at the present time (May, 1911). These examinations are conducted by experts and cover every department of the Company's business, including both its transactions and its methods. The Company is also subject to examination by the insurance officials of other States and countries. The last examination of this kind was made in 1906, and was participated in by representatives of the insurance departments of Tennessee, Kentucky, Wisconsin, Nebraska and Minnesota.

We give in the Appendix, page 112, a detailed statement of the taxes paid in each State in the Union. It will be noted that they are of several kinds,—and that the tax rate on premiums in different States is very unequal, being more than twice as great in some States as in others. The total amount paid in taxes by the Company was equal to one and two-tenths per cent. on its total premium receipts. It was over two-thirds as much as the total salaries and all other compensation of officers, directors and Home Office employees—*over one thousand in number!* These taxes are in addition to all taxes on real estate. Since 1908 the corporation tax of the Federal Government has been added to the tax burdens of life insurance companies.

The cost of election of Trustees is divided according to law to show the cost for each election. There was no contest in either of the years for which these expenses were incurred, but the expenses were incurred in preparing for a possible contest. The Company must always be ready to furnish the Superintendent of Insurance with complete lists of all policy-holders with their postoffice addresses, and to furnish such other lists of policy-holders in separate jurisdictions as the Superintendent may approve. (See Section 94, Insurance Law in Appendix.) This necessitates maintaining a "Stencil Division" of over forty persons, with special typewriters, stencil printing machines, etc. The new names added, the changes and corrections require the writing of about 1,500 stencils each day, and the Division is capable of supplying a complete list of policy-holders in 72 working hours.

Assets—Valuation of Bonds, etc.

The "Ledger Assets" correspond in a way to the money received by the Government and "covered into the Treasury"—it cannot be got out without an appropriation. It must be accounted for. But the question arises respecting every interest-bearing security—what is it worth? If a piece of real estate is bought—it may increase in value or it may depreciate. Its value to the Company usually lies in the income it produces, and it is usually valued upon an income-producing basis showing at least 4% net. If the valuation needs to be reduced in order to bring it to this basis the reduction is charged to profit and loss and comes out of the net effective interest. In a similar way the interest account gets the benefit of an increase in value. The latter is not usually done, however, until the property is sold.

In the case of bonds a somewhat different course is pursued. A bond is an agreement to pay a certain sum at the end of a certain period

with interest semi-annually or quarterly at a certain per cent. But the price of bonds, having say twenty years to run and bearing interest at 4%, payable semi-annually, varies somewhat with the state of the money market. In and following the panic of 1907 the best bonds showed a decline of from five to ten per cent. If mortgages on real estate—or the title to real estate—passed from hand to hand as bonds do they would have shown a similar depreciation. Money was worth more, hence securities were worth less. But a life company's liabilities are not largely cash liabilities —they are long-term liabilities, and its securities are bought because they produce income and the principal will be paid at maturity. In view of these things and in order that the rate of interest shown should be the effective rate received, the State has established the rule that a bond that is "amply secured and not in default as to principal or interest, shall be valued as follows: If purchased at par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield meantime the effective rate of interest at which the purchase was made".*

For example, a 4% bond bought at par always yields 4% on its cost, no matter when it matures; therefore its book value is always par. But a 3½% bond having twenty years to run and bought at 93.16 per cent. also yields 4%; its book value must therefore be "adjusted" every year. To do this the Company credits interest account with 4% on the book value and adds the difference between 4% and the interest actually received to the book value. These additions bring the book value to par at maturity. On the other hand, a 4½% bond having twenty years to run and bought at 106.84 per cent. also yields 4%. In this case the Company each year credits interest account with 4% on the book value and deducts the balance from the book value of the bond. These deductions bring the book value to par at maturity. After the first year the rate is reckoned on the new book value.

The Branch Office debits and credits represent incomplete transactions—the Branch Offices (there are over one hundred of them) have received the money and paid it out, but the vouchers have not been received or have not been approved—they are not yet entirely matters of record. Until they are the debit balances are not "admitted assets".

The "premiums due and unreported" represent cases where the policyholder is availing himself of the days of grace in the payment of premium; those under the head of new business represent policies upon which a quarterly or semi-annual premium has been paid, as a new policy is not in force until the first premium has been paid. The deferred premiums represent quarterly and semi-annual premiums falling due in 1909 but belonging to the policy year beginning in 1908. Premiums are theoretically paid annually in advance, hence four quarterly or two semi-annual premiums belong to the year 1908, although some were not due until 1909. From all these premiums 25% is deducted as loading because under the law the Company might spend about this sum in expenses. The total loading on gross premiums received during the year averaged 21.1 per cent. of gross premiums, as per Gain and Loss Exhibit in report to the State.

* See Section 18 Insurance Law, Appendix.

It will be noted that market values in excess of book values are added and book values in excess of market values are deducted. This is done rather to make the statement conform to that required in other States and countries than as a test of real values, as the valuation of bonds by another method is—as we have seen—specifically authorized by the New York Insurance Law.

Liabilities—Valuation of Policies, etc.

The New-York Life began business in April, 1845, and has been a growing Company ever since. On December 31, 1908, it had on its books over one million policies of insurance and nearly ten thousand annuity contracts. Naturally many of these reach back to years when other laws were in force and when policy forms were very different. In fact the different kinds of policies now on the Company's books furnish a history in miniature of life insurance during the last fifty years. The oldest Policy in force is number 620, issued in 1846, and there are 61 policies in force that are over fifty years old. We are just now being reminded that fifty years ago the Civil War began and that the country was then in a turmoil of excitement. Nevertheless the great moral and economic forces kept at work, building up even while destructive forces were tearing down. There is no more stirring chapter in the history of the Company than that covering the period 1861-65, during which time its business increased more than fourfold.

For purposes of valuation all policies issued prior to 1901, except those bearing 3% guarantees (issued since July, 1896), were grouped together and valued by the Actuaries' Table of Mortality with interest at 4%—a standard which by a law of the State superseded all others in 1880, and which is still in force for such policies. Other issues either follow subsequent laws or are valued by a higher standard than the law requires. The additional reserve set aside in excess of the State's requirements was $3,129,402, and will be found in item 35. After an exhaustive examination of all sources of information on the subject, including the mortality among its own declined risks during a period of twenty years, the Company began in 1896 the insurance of impaired and partially impaired risks. Upon the first of these and upon tropical insurances the Company held a reserve based upon a mortality double that of the American Table with 3% interest, and upon the second and upon semi-tropical insurances it held a reserve based upon a mortality once and a half that of the American Table with 3% interest. Annuities were valued by three standards, according to year of issue—the later standards representing the larger experience. This immense amount of reserve—over 459 million dollars (it is now over 522 millions) is made up of the reserve required on individual contracts similar in general tenor to those which we have analyzed to ascertain their present values.

The liabilities under items 9 to 35 require little comment. The total amount of Policy Claims looks large, but over half of it is upon losses that have been reported but no proof of death received. Under item 12, strike out the words "or adjusted and not due". When a New-York Life policy claim is "adjusted" it is then paid. These words are in the official form to cover policies issued years ago under which a death-loss was not due until 30 or 60 days after proof was received. The New-York Life still has such policies in force, but does not avail

itself of the privilege of delay. The amount of death-claims resisted also looks large although it is less than one per cent. of the total of paid and resisted. It includes many cases carried over from the previous year. The Company must protect its policy-holders from fraudulent claims. Such claims are reported to the Insurance Department in detail each year, and upon the merits of its defense the Company invites the closest scrutiny. Taking the first ten on the list at the end of 1910, the Company's reasons for resisting payment were as follows: In three cases—insurance contract never consummated; in one case—insured not dead; in three cases—insurance benefits had expired before death—Company liable in one case for a surrender value which it is ready to pay; in two cases policies lapsed charged with loan—were endorsed for paid-up value less the debt, which the Company is ready to pay—one of these had been decided in favor of the Company and an appeal taken; in one case—fraud in procuring Policy.

The due and unpaid endowments and annuities are mostly those upon which checks had been sent out but they had not come back. The Company formerly waited for a claim to be made under endowment and annuity contracts, but some fifteen or more years ago it devised a form of check the endorsement and payment of which furnish the needed proof that the Beneficiary is alive. Such checks are now sent out so as to reach the Beneficiaries on or about the due date.

Item 27 shows a large amount due in taxes. Taxes are levied on the business of the year, but are mostly due and payable in the following year when the totals have been made up.

To the special surplus funds included in item 35 there has since been added an "annual dividend equalization fund". Since the Company began to pay annual dividends on its new contribution annual dividend policies it has declared and paid the following percentages of the surplus normally accruing on such policies: For 1907, 100%; for 1908, 96%; for 1909, 97%; for 1910, 100%. The purpose is to lay by a little from the more prosperous years in order to maintain a normally increasing dividend as the policies grow older, as explained in the preceding chapter. This fund now (1911) amounts to $387,532. The reserve for Nylic contracts is the present value of certain agents' contracts and will be more fully explained in the chapter describing Agency Methods.

Reports to Other States.

While the Convention of Insurance Commissioners adopted some years ago a standard form of report, the differing laws of various States make additional information necessary in some of them. Illinois, Massachusetts, New Jersey, Ohio and the District of Columbia require the report of new business and of insurance in force to be on the basis of "policies issued" instead of on the basis of "policies paid for". Massachusetts requires a record of individual policies and makes a seriatim valuation. Wisconsin requires (1) a schedule of each audit of the Company's affairs showing cost, (2) a schedule showing the bonds given by officers and employees, (3) a special gain and loss exhibit of non-participating policies, (4) a salary schedule showing all salaries of $3,000 or over, (5) a schedule showing in detail amounts paid as legislative expenses, (6) a schedule of lapsed policies on which loans have been made, (7) a loan schedule classified according to

interest rates, (8) a Wisconsin policy loan schedule, (9) a Wisconsin dividend schedule. The Company is also required to send to holders of deferred dividend policies in Wisconsin a statement showing their contingent interest in the deferred dividend fund. Idaho requires the table showing cash and loan values, paid-up and extended insurance of Ordinary Life policies to be extended to age 96. The following requirements are made by one or more States, and many of them are made by all:

A life insurance company must file a certified copy of its charter and, annually, a statement of its business and condition on the 31st day of December next preceding, in such form as the insurance official of the State may prescribe.

It must satisfy the insurance official of the State that it is lawfully organized and has complied with the laws of its Home State, and that it has on deposit with the financial officer of its Home State securities worth at least $100,000; in some cases additional deposits are required in the State where the company seeks to do business.

It must procure from the insurance official his certificate of compliance with the laws, and publish reports or abstracts thereof with the certificate, in the manner prescribed, and file evidence of such publication. Its annual statement must include data sufficient to enable State insurance officials to make a valuation of its policy liabilities, or it must furnish a certificate of such valuation from the insurance official of its own State.

It must appoint a resident of the State its attorney upon whom legal process may be served; in some States such attorney must be appointed in each county where the company does business; in some States each agent must be an attorney for service.

It must furnish lists of its agents within the State, who must, in many States, be residents thereof; such agents must file copies of their appointments and procure licenses, and their books must be open to the inspection of tax officers.

It must give bonds that it and its agents will comply with the laws and pay taxes as imposed, and reports must be made to tax officers of premiums received and schedules of policies in force.

It must allow an examination of its affairs to be made whenever deemed expedient by the insurance officials of the States where it does business, and pay the expense of such examinations.

It must make its investments, as prescribed by law, in certain securities, and of the value of these securities and of the real estate owned by the company, the insurance official is made the final judge.

It must file with the State official copies of all its policy forms; its policies must have attached thereto copies of all documents referred to therein and made a part thereof; they must be so fully described in large type on their face that the holder shall not be likely to mistake their nature or scope; they must be subject to the courts of the State wherein the Policy was issued; rebates of premium or other discrimination between insurants of the same class or expectation of life must not be made; and some States restrict their own companies, in the matter of reinsurance, to one-half the amount of the risk, except by consent of the insurance official.

It must require medical examinations, and the certificate of its medical examiner that an applicant was insurable according to the company's rules may bar the company from pleading that the insured was not in the state of health required by the company.

It must pay all claims and judgments within a specified time; it must allow a specified time for the beginning of an action; if it pleads misrepresentation, it must deposit the premiums received in court prior to the trial of the case; statements made in an application must be deemed true after the lapse of a specified time; statements of the applicant are to be considered as representations and not as warranties; misrepresentations are not to void a Policy unless the matter misrepresented shall actually contribute to the contingency or event on which the Policy is to become due and payable; suicide is not allowed to void a Policy unless it was contemplated when the insurance was taken and sometimes not at all; intemperate habits are not allowed to void a Policy if such habits were generally known where premiums were paid and the company continued to receive premiums on the Policy.

It must, unless its policies expressly contract otherwise, allow paid-up or term insurance in case of lapse after a specified number of annual premiums have been paid, and policies may not be lapsed for non-payment of premium unless notice of the due date thereof shall have been given within a time prescribed.

Reports to Foreign Governments.

All the reports to foreign governments differ somewhat in detail from those furnished the States of the Union and some are required to be made with great fullness of detail according to the scope and plan of the particular countries. All are made in the money of the country, and some in American money also. Those which involve most labor are the Austrian, the British, the Canadian, the German, the Japanese, the Mexican and the Swiss. We give below a résumé of the German, which will serve as an example of the "permutations and combinations" to which the various details may be subjected:

The amount of income and disbursement is in a form known abroad as Profit and Loss Account, because everything is brought to a completed condition—a condition which shows the profit or the loss on the year's business. The amount brought forward from the previous year's report, after all adjustments had been made, is entered in the new report in some detail—as premium reserves, reserves for pending insurance claims, profit reserve of the insured and increase of same from surplus of previous year, other reserves set aside for various purposes and increase of same from surplus of previous year. The premium income includes all premiums belonging to the year, whether received during the year or not, premiums deferred from the previous year and premiums paid in advance being excluded. Income from securities is treated in the same manner, interest earned during the year being taken, no matter when received, and rents from real estate being net, after payment of taxes and expenses.

In disbursements, payments on claims of the preceding year are carefully distinguished from payments on claims incurred during the year, and the amount remaining unpaid in each class is carried into the total. The same method is

pursued with respect to dividends and endowments. Amounts paid for re-insurances are treated as disbursements. Re-insurance is treated as any other business operation, the company being credited with all it receives and charged with all it expends in the process.

In "Expenses of Administration", first year's commissions include all moneys paid and indebtedness incurred to individuals for procuring new business. Renewal commissions include amounts paid for renewals and in commutation of renewals, and any increase in the indebtedness of agents. "Other Expenses of Administration" are analyzed in a supplement under a dozen different headings. Profit and Loss items, on both sides of the account, pertaining to investments in securities, are derived from a schedule called "Movement of Securities". The schedule covers some thirty columns, many of which are completely filled in every case.

Having thus included in Disbursements everything which made for loss during the year, the exhibit continues with a statement of premium reserves and of specific reserves not to be increased from the profits of the year Then a statement is given of profit reserves and of other reserves, for special purposes, which are subject to adjustment when apportionment is made of the profits of the year. When this is done and a balance struck, we have the net profits of the year, the disposal of which is noted under appropriate heads.

The balance sheet is very much like our own.

The items which have appeared in this summarized form are now taken up and traced back to their source, and compared with other items to which they are most closely related. In a schedule called "Distribution of Premium Income and Payment of Losses", required for participating and non-participating policies, respectively, premiums received, amount of losses and of surrender values paid, and the amount reserved for claims unpaid are all reported under various categories of insurance and kinds of policies. Considerations received for annuities are treated in the same manner, so far as the method is applicable.

The death-losses are taken up in mortality schedules showing the total actual mortality as compared with the expected: (1) on the entire business, (2) in the general class, (3) in the class of partially impaired lives, (4) in the class of impaired lives, (5) in the tropical class, (6) in the semi-tropical class, (7) annuities on male lives, and (8) annuities on female lives. These eight schedules show the mortality of insured and annuitants by number of persons and by amounts, grouped according to year of birth of the insured or the annuitant, the actual mortality being compared with the expected, at each age. This makes in the case of insured persons, seventy-eight groups in each of six schedules, and in the case of annuitants ninety-four groups in each of two schedules, with all the details necessary to deduce the actual and the expected mortality for each group.

The same death-losses are also taken up in six schedules entitled "Financial Result of the mortality in the business year". These schedules show, for each of the eight classes just enumerated, what provision for the death-losses was made from (1) reserves, (2) costs of insurance, and (3) amounts received from re-insuring companies; and consequently, what the profit or the loss from mortality amounted to in the several classes.

The amount paid in Dividends, and the amount set apart as Profit Reserves for the payment of dividends at the end of specified periods, are made the subjects of searching analysis. A schedule called "Distribution of Profits and Movement of Profit Reserves" shows the amounts insured under each of seven classes of participating policies, divided according to dividend periods. The amount paid in each class is shown; and in classes with dividend periods longer than one year, the amounts of profit reserve from the previous year, with additions from surplus, are also shown.

In order to arrive at the figures shown in this schedule for policies with dividend period of more than one year, such policies are shown in 85 groups according to class and year of issue, with the amounts insured and the movement of the profit reserve during the year. These exhibits of policy-groups will in time (they were begun in 1899 and include 20-year deferred dividend policies) show the history of each class of deferred dividend policies from the year of issue until the year of maturity. The particulars required in the case of maturing groups are—

1. Amount insured at time of distribution, with reserve on same.
2. Total income from premiums to time of distribution.
3. Total income from interest to time of distribution.
4. Total disbursements of losses.
5. Total disbursements for commissions and expenses of administration.
6. Total disbursements for surrender values.
7. Profit fund on hand for distribution.
8. Total amount of premiums on which this fund is to be apportioned.

The Policy schedules are four in number, two for participating and two for non-participating insurance. The two which describe the "Movement of Outstanding Insurance" are similar to our own; while two others show the amounts insured, the net annual premiums, and the premium reserves for the year, under each of eleven different forms of Policy.

This exhibit of the business as a whole is supplemented by an exhibit of the German business sufficiently elaborate to show its magnitude, cost, amounts paid and general condition.

The labor incident to the preparation of annual reports falls chiefly upon the Actuaries' Department, the Treasury Department and the Division of Policy Claims. These departments contain about 250 employees and the extra time work required is about 18,000 hours, an average of 72 hours extra work for the entire force.

CHAPTER IV.

AGENCY ORGANIZATION AND METHODS.

The Branch Office System.

While a strictly logical method would perhaps have placed this chapter first, it was thought that the reader would be more interested in how the business was obtained after a little study of the business itself. Life insurance, as we have seen, consists in the co-operation of a large number of persons under well defined contracts, for the purpose of distributing the pecuniary losses caused by premature death. Incidentally it becomes a plan for the accumulation of money for those who live long: the main fact is the co-operation of the insured. How best to secure this co-operation is one of the chief problems of the life insurance manager. Many insurance organizations are able to handle safely and wisely the business they obtain, but they obtain comparatively little, hence their value to society is small. The useful company is the company that insures many lives and makes the benefits of life insurance effective to many persons.

The early method followed by all companies was the General Agency method. A General Agent was given control of certain territory, and allowed to appoint sub-agents who procured most of the business. The company paid the General Agent for all business turned in, and he in turn compensated the sub-agents. Under this system only a few men do business directly with the Home Office—the business is practically farmed out to the General Agents. If they are lazy, incompetent, or disgruntled, the company gets comparatively little business from their territory. If they die, or resign, or stop business for any other reason, a new General Agent must be appointed and the business reorganized. The sub-agents—the men who do the hard work—are not properly encouraged, taught or compensated.

After an experience of nearly fifty years with the General Agency system the New-York Life began to take back the territory farmed out to General Agents and to establish the Branch Office system. This change was completed in 1903, and the Company is now represented in all the chief business centers of the world by its own Branch Offices. Each office is in charge of an Agency Director and a Cashier, who are appointed by the Company. They are paid a salary according to the work they do and according to the economy with which they conduct the affairs of their office. The Agency Director is in charge of the territory attached to the office, finds new agents, makes contracts with them, instructs them in their duties, and, when occasion requires it, recommends the termination of their contracts. All agents' contracts are made direct with the Company and subject to its approval. Every agent is attached to the Branch Office of the territory in which he works and reports to it.

The Cashier has charge of the inside affairs of the Branch Office—of the books, the correspondence and the clerical force. He makes a daily report of all financial transactions, accounting for all money received and disbursed, this report being mailed at the close of each day's business. He also makes, on behalf of the Agency Director, a monthly statement, showing in detail the work of each agent attached to the Branch. All business is carefully examined for errors or incompleteness before it is sent to the Home Office, and is sent in special envelopes according to the character of the business, in order to facilitate distribution when it arrives. The records of each office are complete with respect to the business passing through it, and they are in respect to completed business duplicated at the Home Office, so that in case of fire, accident or theft no embarrassment will result. The fixed charges of a Branch Office may be terminated on thirty days' notice, and if an office is discontinued there are no commissions to be paid to a General Agent.

Advantages of the Branch Office System.

The Branch Office system accomplishes three desirable ends: (1) It places the field work and agency expenses absolutely under control of the Home Office; (2) it brings the men who obtain the business into close touch with the Home Office; (3) it places the facilities and conveniences of the Home Office within reach both of agents and of the insured. It secures a constant supervision of the agents' work by trained men who are on the spot with opportunity to advise. Every agent's contract is with the Company; a careful record of each man's business is kept at the Home Office—not only of how much business he secures, but of how steadily he works and how well his business stays on the books. All necessary correspondence is conducted for him, leaving him free to devote all his time to securing business. To the policy-holders in its territory the Branch Office is practically the Company. Here they pay premiums and secure loans, and here are paid to them the various benefits which arise under their policies.

In order the better to secure oversight of the field work the Company groups the territory of its various Branch Offices into Departments, each of which is under the general supervision of an Inspector of Agencies, or a Supervisor. The Supervisors and Inspectors are usually men who have been markedly successful as Agency Directors—men of strong personal character who have the faculty of inspiring others; men who thoroughly understand the business and are usually large personal writers—men qualified to lead and to help others. The Agency force of the Company has thus come to be a compact organization—something like an army—which is always in close touch with the Home Office.

The Official Examiner of the Insurance Department said in his report of an examination of the Company made in 1908: "The business of this Company is conducted under the Branch Office system, in contrast with the General Agency system. The Company deals with Branch Office Cashiers, who are paid salaries, and the policy-holder after the second year, deals almost wholly with the Branch Office Cashier, and is, therefore, to that extent, divorced from the agency department and the producing part of the business. This fact is one of the elements which has brought the Company to its present low expense rate, referred to later.

Practically little of the Company's business is therefore mortgaged for renewal commissions."

The Nylic Association.

In order further to cultivate an *esprit de corps* the Company organized in 1895 the "Nylic Association". The word "Nylic", formed from the initial letters of the name of the Company, had long been in use as the Company's cable word at New York; it was now to designate a composite class of New-York Life agents, each with a definite standing based upon length of service and amount of business done. Good standing in the association was also to carry certain emoluments, which would make it worth while for an agent to continue with the Company for life and to maintain a high standard of production. The question has long been mooted: "Is the life agent's work a profession?" Other professions are made up of men who have passed certain prescribed examinations; but every profession at the outset is composed of men who have achieved certain results. The Nylic Association established a class of life insurance agents, based upon steady production, upon loyalty to their own Company, and upon principles and methods which bring cumulative benefits to all who follow them.

The Association is composed of five classes called respectively—Freshmen Nylics, Nylics of the first, second and third degrees, and Senior Nylics. The period of membership in each of the first four classes is five years. The conditions of membership were first made easy—a man must write and pay for at least $25,000 in new business during each year. In 1899 the requirement was made $50,000 of paid-for business. After two years' service the "Freshman Nylic" begins to receive extra compensation upon the business written two years before—*that is still on the books of the Company!* Nylics of the first, second and third degrees receive extra compensation each year based upon the business written five years previously and still remaining on the books of the Company, the extra compensation being at a higher rate for each degree attained. After a service of twenty years the Senior Nylic is guaranteed compensation for life, provided he does not enter the service of any other company, this compensation being based upon an average of his several income bases during the first fifteen years, and the business remaining on the books from the year in which his production was smallest while a Nylic of the third degree. Certain provision is also made for drawing Nylics who become totally incapacitated.

The Elimination of Waste.

The general effect of the Nylic system has been *to eliminate waste from the business*—waste of time and energy in securing and instructing agents, and waste of money in writing business that did not prove permanent. To keep his membership in Nylic an agent must secure an average of about $1,000 per week during each year; he must remain with the Company at least three years in order to receive extra compensation; such extra compensation always depends upon the amount of his business that remains on the books. He is working for a permanency; he works more steadily; the longer he represents the Company the more efficient he becomes. The standard is not so high as to discourage any man who is going

to make a business of life insurance; but is high enough to weed out the incompetent and the unworthy.

Under Section 97 of the Insurance Law as originally enacted, in 1906, the Company was not allowed to add any new members to its Nylic Association, but old contracts were not invalidated. When the Company was examined by the Insurance Department in 1908, the official examiner commended the system as "highly beneficial both to the agent and to the Company. The benefit to the Company", he said, "was three-fold. It provided a more economical plan than the renewal commission basis. It made the interest of the Company the interest of the agent, and it won for itself a reputation for reliability and responsibility in each community where the persistent agent was located. No other factor, in my opinion, has contributed more to the economical management of this Company than its 'Nylics', and it is a matter to be regretted that it cannot be carried on with new agents." Being thus advised, the Insurance Superintendent in 1910 recommended a modification of Section 97 which was amended by inserting the following words: "If any such corporation shall compensate its agents or any of them, after the first insurance year, in whole or in part, upon any other plan than commissions and collection fees, the aggregate sum so paid shall in no year exceed the limitations herein imposed, and the schedule and plan of such compensation shall be submitted to and approved by the superintendent of insurance."

Under this amendment the Company has since established "Nylic No. 2." There are now 522 members of the original Nylic, and 651 members of Nylic No. 2.

Insurance Clubs.

In further pursuance of its purpose to organize and maintain an agency force which would make the business of Life Insurance a profession, with certain standards of achievement, and with certain ethical standards governing the conduct of the business,—the Company has established two classes of Insurance Clubs. The $100,000 Club and the $200,000 Club. Any agent working in North America who writes and pays the premiums on $100,000 or more (but less than $200,000) of new business under club rules and within the club year thereby becomes a member of the $100,000 Club; any agent who secures and pays the first year's premiums on $200,000 or more, under club rules and within the club year, becomes a member of the $200,000 Club.

The $100,000 Club had for the club year ending in 1910 a membership of 242, and their total business for the club year was $30,609,738. The $200,000 Club had for the same period a membership of 138 and their total business for the club year was $37,653,715. No additional emoluments attach to membership in these clubs, but the honors of the organizations go to the largest writers. A secretary of the clubs keeps a careful record of each member's work, and the honors are announced in the "Bulletin", which goes to all agents of the Company. The club rules are framed in the spirit of justice to intending insurers and of loyalty to the Company, and are enforced by the club spirit. An executive committee is given power to expel any member who shall be deemed unfit for membership, and the Company on its part pledges itself that any member

expelled for cause shall thenceforth find no place in the agency ranks of the New-York Life.

The Nylic Association and the insurance clubs, supplemented by the weekly "Bulletin" from the Home Office have imparted a strong mental impulse and a high moral tone to the Company's agency force. The bases of a profession have been established, both in standards of achievement and in the ethics that should control men in the conduct of a noble business. Educated sentiment has been found to be a subtle and far-reaching power. It secures more work and better work than the mere love of gain: while at the same time it enhances the earning power of those who devote their lives in a generous spirit to the profession of Life Insurance.

Three of the most successful fieldmen have recently been appointed "Agents' Counselors", or special advisers to members of the $100,000 and $200,000 Clubs. These men have been in the service of the Company for more than twenty-five years and each has a phenomenal record, both with respect to amount of business done and methods of doing it.

The Weekly Bulletin.

There is issued every week from the Home Office a "Bulletin", containing words of encouragement, suggestion and instruction respecting the business of the Company. History and experience and every-day life are searched for the sentiment and the argument that will move men; and the "Bulletin" is filled with helps of the most valuable kind, and with incentives of the highest order. The best thought of every one connected with the Company, from the President down, is not considered too good to be laid before the field force every Monday morning; while members of that force, in their turn, furnish valuable thoughts for their co-workers at the Home Office.

CHAPTER V.

HOME OFFICE ORGANIZATION AND METHODS.

The business of the New-York Life now includes over one million separate contracts, an income of over one hundred million dollars per year, disbursements to the amount of sixty millions, the investment of forty millions, and the care of six hundred millions of accumulated funds. In this chapter we shall endeavor to show how such a vast and complicated business is carried on with order, accuracy and dispatch.

Control by Trustees Through Committees.

The Company is a purely mutual organization—no one has a vote except the insured members—and these elect, under careful provisions of law, a Board of Trustees, who have supreme control of the Company's affairs.* They elect the Executive Officers, adopt By-Laws defining the duties of officers and of standing committees of the Board, and meet monthly to hear and act upon the reports of officers and committees. The standing committees are as follows:

1. A Finance Committee, consisting of seven Trustees and the Treasurer of the Company having supervision of the funds and investments. No loan or purchase is made without the approval of every member present.

2. An Executive Committee, consisting of seven Trustees and a Vice-President, which supervises all expenditures other than those specifically assigned to some other committee by the By-Laws. In January it reports to the Board, for its approval, the rules and methods under which such expenditures are to be made during the ensuing year.

3. An Agency Committee of seven Trustees and a Vice-President, which controls the appointment and compensation of all Inspectors of Agencies, Supervisors, Managers, Agency Directors and fieldmen.

4. A Loss Committee of four Trustees, the Secretary of the Company, one of the General Counsel, and the Superintendent of Policy Claims,—which supervises the payment of death-losses.

5. An Auditing Committee of three Trustees, the Secretary, a Comptroller, a General Counsel and an Auditor,—which audits all disbursements for expenses. This Committee employs a chartered accountant who is under the control and direction of the Committee and reports to it and not to any Officer of the Company.

6. An Office Committee of three Trustees, all the Vice-Presidents, the Secretary and the Treasurer,—which regulates all matters of administration not otherwise provided for in the By-Laws.

At the beginning of each year each of these Committees, except the Finance Committee, prepares Rules and Regulations for the transaction of the particular business coming under its control. These Rules and Regulations go

*See section 94, Insurance Law in Appendix.

into details much more fully than it is possible to do in the By-Laws. They decide many questions in advance as to the general policy of the Company; assign specific duties to the various officers, and fix the limits of their authority. They are particularly full and specific with respect to who may incur expense and to what extent, and how disbursements shall be authorized and audited. These Rules and Regulations must all be approved by the Board of Trustees before becoming operative.

These committees hold regular meetings—some as often as twice a week—keep careful minutes, and report to the Board at its monthly meetings. *Nothing is done without the authority of some committee, or of the Board, and such authorization must be a matter of record.* A card index is kept of committee rulings and decisions. The President is *ex-officio* a member of the Board and of all committees.

The Home Office force is divided into Departments and Divisions as follows:

Departments.—Actuaries', Advertising, Auditors', Comptrollers', Inspection, Law, Medical, Printing, Real Estate, Supply, Treasury.

Divisions—Files and Records, Indexes, Inquiry, Letter (incoming), Mailing (outgoing), Policy Briefs, Policy Changes, Policy Claims, Policy Issues, Policy Loans, Policy Loan Securities, Premium Collection, Stencil.

Itinerary of an Application for Insurance.

As we began these "studies" by examining actual policies, we will illustrate some of the Company's Home Office methods by following an application for insurance through the various departments and divisions through which it must pass for the issue of a policy. On the morning of April 12 three applications were taken from the mail and a memorandum attached to each with the request that each person who did anything to it should note on the memorandum what he did and when; then they were sent on the regular way through the office. Two were declined; the third made the complete journey according to the following itinerary, beginning with the day the application was signed:

1. Application secured in Tennessee April 8, and applicant examined by a regular examining physician.

2. Nashville Branch Office received application and medical examination April 10.

3. "Home Office Memorandum", showing name of Insured, date of birth, amount of insurance applied for and name of Beneficiary, typewritten and attached.

4. An inspection memorandum sent out same day by Nashville Office to be reported on later.

5. Application mailed same day by Nashville Office with other applications and invoice in an envelope with a big "A" in one corner.

6. Envelope arrived in New York Post Office April 12, was dropped in the Company's special "A" box, and brought to the Home Office by the Company's carrier.

7. Envelope received by Letter Division and sent unopened to Index Division.

8. Envelope opened, papers stamped "received 10.18 A. M." Application

compared with invoice and with Home Office Memorandum attached. Search made through Index containing over three million cards with name, etc., of all applications ever made to the Company, for record of previous insurance. Name found.

9. At 10.38 case sent to Division of Policy Briefs, where among 1,750,000 cards the record of a former insurance was found and note made of same.

10. Application sent to Medical Department at 10.50, where medical examiner's report was found complete and his signature genuine.

11. The case then went to the Rating Bureau where the Company's ratings as to family history, personal record, build, residence and occupation were applied by two persons independently of each other.

12. At 1.45 P. M. it came before the Medical Board. The ratings were approved, the risk recommended, and the case sent by pneumatic tube to the Division of Policy Issues.

13. At 2.10 P. M. it was given to the clerk who handles applications from Tennessee. The widely varying laws of different States make it necessary that each case be handled by persons familiar with the special requirements of the State from which the application comes.

14. At 2.29 P. M. a clerk attached a slip containing the premium rate and other data, and the checker inspected and verified the figures.

15. At 2.40 P. M. the case reached the Logger's desk where it was logged and numbered.

16. It was now sent to the Photo Bureau. The laws of Tennessee require that a copy of the application and medical examination paper shall accompany each life policy sold in that State. The camera is quicker and more accurate than any copyist: it makes an exact copy in about forty seconds.

17. At 3.25 P. M. the papers were given to the Policy Writer who finished his work in just fourteen minutes, and the checker took six minutes more to examine it and add his O. K.

18. The Policy went by tube to the Mailing Division, was put in a Nashville Branch Office envelope, stamped and committed to the care of Uncle Sam.

19. While it was being sent out several persons got busy completing the records of the Home Office. Cards were written for the Index Division, the Division of Policy Briefs, the Comptrollers' Department, the Actuaries' Department and the Agency Department, and the "President's Welcome Letter" was filled out and sent to the new member of the New-York Life family. An entry of the Policy was made on the Massachusetts Insurance Department sheets, which contain a record of each Policy issued by the Company.

20. At 4 o'clock the application and accompanying papers went to the Inspection Bureau, where they were placed in the uncompleted file to await the inspection report, asked for by the Nashville Branch Office on April 10.

21. On April 14 the inspection report was received at Nashville, found satisfactory and mailed to the Home Office, where it arrived on the 19th. It was then attached to the other papers which were sent to the File Room to be filed as No. 4,133,587.

22. The daily report of the Nashville Branch Office for April 30 to the Comptrollers' Department reported the first premium paid on that day.

23. The different departments of the Home Office now have the data of this Policy, which will enter into the accounts of new insurance, premiums received, commissions paid, policy reserve, taxes on premiums, insurance in force and expected mortality. The Comptrollers' Office will see that the premium reported paid is accounted for in the bank account of the Nashville Branch, that the proper commission is paid the agent, the proper fee paid the Medical Examiner, the tax on the premium paid the State of Tennessee, and that the proper renewal receipt is sent to Nashville before the next premium falls due. Everything that happens to the Policy hereafter will be noted upon one or more of the cards in the Home Office, so that they will supply a complete history of the insurance as long as it remains in force. The Policy is now subject to all the contingencies noted in our examination of the sample policies, and this may be the Policy that—with its supplemental annuity contract—is to remain in force one hundred years.

We saw in the first chapter of these studies the principles upon which the Company's contracts are based; here we see how they are put in force. It is from contracts for insurances and annuities that the Company derives primarily its entire income. The accumulations made necessary by the Policies soon become a secondary source of income. In order that we may follow out General Garfield's plan of finding out

How the Money Comes In,

Let us begin at these sources of income, follow up the golden stream and see what becomes of it.

First let us see how the Company makes sure that it gets all that belongs to it. We have seen that when a Policy is written, various cards are written to keep a record of it in the Home Office. The most important of these cards are (1) the Comptrollers' Premium Card, (2) the Policy Brief Card, and (3) the Actuaries' Valuation Card. When a Policy is issued and sent to the proper Branch Office the Comptrollers' Premium Card contains a charge of indebtedness due the Company; it is the duty of the Comptrollers to see that such indebtedness is accounted for—either by payment of the premium or by the return of the Policy. The cards are filed according to Branch Offices and in numerical order. As successive renewal premiums become due the renewal receipts, together with the notices to be sent to the insured, are made up in the Comptrollers' Office and shipped to the Branch Offices for collection, a mark being made on the cards indicating that receipts have been sent. These renewal receipts now become charges of indebtedness which must be accounted for—either by payment of premiums or the return of the receipts.

Whatever is necessary to show the standing of the Policy as an obligation of the Company is noted on the Actuaries' card. When the Policy is put in force by payment of the first premium the Actuaries' Card representing the Policy is put in the "paid-for" drawer, and it stays there until some change takes place in its status. The total of these cards therefore shows the total amount of insurance in force. They are assorted according to date of issue, plan and age, which makes what is called the "valuation order". This enables the Department to make a

valuation of Policy liabilities by the group method. Thus the Comptrollers see to it that the Company gets its due, the Actuaries make a corresponding note of the obligation thereby created, while the Brief Card contains other items of information respecting the Policy.

About one-fifth of the income of the Company consists of interest and rents When the Finance Committee authorizes the purchase of a bond or the loaning of money on mortgage, the Comptrollers' Department makes a transcript of the minutes containing the authorization. Every month the Department compares this record with the Treasurer's check-book and with the canceled checks and compares the price paid with the authorized price. Then a card is written describing the security and noting what interest will be due and when. These cards contain charges of indebtedness for the amounts of interest due and are used in checking the accounts of the Treasurer. Similar cards for real estate loans are used in the Real Estate Department, and cards of bonds are used in the Treasury Department. For ready reference lists of securities are made on sheets and checked with the cards. Receipts from interest are entered upon these cards and lists and checked by the Comptrollers' Department. The account is made up monthly showing the amount received and the amount due and unpaid. The amounts paid are checked up on the books of the Treasury Department. Interest on Policy and Premium Loans of every kind, including that paid when days of grace in the payment of premium are availed of, and interest on agents' debts, are all verified by the Comptrollers' Department,—to insure the collection of all interest due the Company.

Having thus seen how the money comes in and how it goes out for investment, we will now ascertain how it goes out in payments to policy-holders and for expenses. We will first follow a claim for death-loss through the office under the care of the Division of Policy Claims.

Itinerary of a Death-Claim.

1. Insured died June 3, 1911, at Shreveport, La.

2. Shreveport Branch Office notified of the death on June 6, and delivered the necessary blanks for making proof of death and claim and sent a report of the death to the Home Office.

3. Report of death received at the Home Office June 9, and sent to Policy Claims Division. Policy Index Division was then asked for a list of all policy numbers issued on the life of the deceased, and when furnished a messenger was sent to the Policy Briefs Division for a blue print photograph of the Company's records. When this blue print was furnished it was carried by the same messenger to the Comptrollers' Department to have the date to which premiums were paid endorsed on same and the amount of notes, if any, recorded,—then to the Policy Loan Division for any record of loans which might be charged against the Policy. The blue print was then taken to the Actuaries' Department who compared the records of the Brief Division with their records and completed a card for the Auditors' Department, showing the exact amount payable under the Policy. At the same time a request was sent to the File Division for the application and all previous correspondence.

4. When this application and correspondence, together with the blue print of the records and list of Policies were received, the correspondence was put in chronological order and placed in a death-loss envelope.

5. The case was assigned a loss number, and recorded in the Death-Loss Book, showing the amount of the Company's liability under the Policy. A record card was completed with all data so far as obtained, and Index Cards were made that will enable the Division to locate the case should future correspondence be received without the number of the Policy being given. The case itself was placed in a file, pending receipt of proofs of death.

6. Proofs of death received on June 12 and checked up by two competent clerks; evidence of death being satisfactory and the claim being in order, they signed the same and referred it to a member of the Sub-Loss Committee for final action.

7. Case approved for payment by member of the Sub-Loss Committee on June 12 and warrant for check signed and forwarded to the Auditors' Department. Auditors' Department reviewed the warrant, comparing the figures with those furnished by the Actuaries' Department and sent it to the Division of Policy Payments for check.

8. Check being furnished, it was forwarded to the Shreveport Branch Office on June 12 with instructions to deliver the same to the Beneficiary upon obtaining the Policy and the signature of Beneficiary to death-claim receipt.

9. Check delivered to widow of Insured June 17.*

Payment of Endowments and Annuities.

Endowments and Annuities fall due upon fixed dates and can therefore be arranged for in advance. The methods pursued in these cases are as follows:

Endowments.—Early in the summer of each year the Actuaries' Department furnishes the Policy Claims Division a list of all the Endowment Policies maturing in the following year. This Division obtains from the Division of Policy Briefs photographic records of each of these Policies, verifies the date of settlement, prepares a card with a description of the Policy and a statement of the amount payable at maturity. The item is then entered in the Endowment Register under the date of maturity. The tabs on the record cards are trimmed to indicate the date of maturity—the tab remaining indicating the month—and the cards are placed on file in chronological order in the cabinet and an entry made in a Diary under the date upon which the check should be sent to the Branch Office.

Upon the date indicated in the Diary for issuing the check the Division com-

* This case was selected to show the method of paying a death-loss, but incidentally it shows something else that will be of interest. The Policy was issued April 24, 1894, for $3,000, and contained a clause promising that in case death occurred prior to April 24, 1914, the Company would pay, in addition to the face of the Policy, an amount equal to one-half the amount of premiums paid, taken at the tabular annual rate. The Policy was charged with a loan of $603, and with balance of year's premium (semi-annual) $36.48, a total of $639.48. It was credited with premium additions of $680.40 and interest paid on loan in advance $26.02, a total of $706.42. So the premium was paid, the loan canceled, and $3,066.94 net went to the widow's bank account, for which a very grateful letter was sent to the Company. Incidentally it was said that while his investments in other lines had been considerable, his life insurance formed the major part of his estate at death. This was one of the forms of Policy which was abolished by the Armstrong Laws of 1906.

pares the photographic brief with the Register Card in the Division of Policy Briefs, notes thereon any change that may have occurred since the photograph of the record was made, and certifies to present conditions. The briefs are then submitted to the Comptrollers' Department for a statement of the date to which premiums have been paid, and to the Loan and Note Divisions for certification as to any indebtedness that may be charged against the Policies. The application is withdrawn from the Filing Division, the record of the title of the Policy is examined and the payee of the Endowment Benefit is entered on the Policy Claims settlement card. The card and file are then reviewed by the Chief Clerk of the Sub-Division. The warrant clerk of the Statistical and Accounting Division prepares the warrant. In writing this warrant triplicate copies are made automatically—the duplicate becomes a letter of transmittal to the Branch Office and the triplicate is attached to the file. After the papers have been examined and the warrant signed by the Superintendent of the Division, it goes to the Auditors' Department for his verification and approval, upon which the Division of Policy Payments draws a check in payment, which is duly forwarded to the Branch Office with proper instructions as to its delivery.

Annuities.—Whenever an Annuity Policy is issued to a person residing outside the territory under the jurisdiction of the Paris Office a record card and file are furnished the Policy Claims Division. The Annuity is then indexed, and the tabs of the card trimmed to indicate the dates on which the payments will fall due; the card is then placed in the Division cabinets, where all such cards are arranged in the order in which payments fall due.

All annuity payments in the United States, Canada and Mexico are made by checks issued from the Home Office upon the warrant of the Superintendent of the Policy Claims Division duly approved by the Auditors' Department. These checks are dated to correspond to the date upon which the annuity falls due, and are mailed from the Home Office direct to the annuitant sufficiently in advance of the due date to insure delivery on that date or immediately thereafter. They are so restricted as to endorsement that they can be collected only by the annuitant, and are so worded that they become a receipt for the annuity instalment; the bank being responsible for the endorsements, the checks serve the double purpose of a certificate of survival and a receipt, and no other voucher is required. Each month an examination is made to ascertain if any of these voucher-checks have not been returned, and if so for what cause. Annuitants are required to keep the Company advised of any change of address, and when they remove temporarily or permanently beyond the territory served by the Home Office check system, the Policy Claims Division gives necessary instructions to the Company's foreign offices to secure the prompt payment of the instalments as they fall due. Payments made at other offices are reported in account with proper vouchers, and these vouchers are approved by the Policy Claims Division before the charges in the account are allowed.

All other payments to Beneficiaries are made through the Policy Claims Division, the warrants being prepared and audited in a similar manner. This Division also prepares and furnishes all statistical information in regard to the Company's Policy Claim Disbursements and Liabilities that may be required by Governments or any other purpose.

Other Disbursements.

We will now examine the method of regulating other disbursements of the Company.

Under the Company's By-Laws and the direction of the Auditing Committee, the Comptrollers of the Company are charged with the duty of examining, verifying and checking all receipts and disbursements. All disbursements made directly from the Home Office, except those on account of investments, Policy contracts and Home Office salaries, are made upon warrants drawn upon the Treasurer by a Comptroller, pursuant to an authorization therefor, which authorization must be filed in writing in the Comptrollers' Department. All disbursements, no matter by whom warranted, which appear in the Cash Book, are checked daily by this Department and the warrants examined. Disbursements on account of Policy contracts are made—as we have seen—upon warrants signed by the Superintendent of Policy Claims (claims for death-losses being approved by another member of the Loss Committee) and verified by the Auditors' Department. The record of these disbursements comes to the Comptrollers' Department for final verification. Disbursements for Home Office salaries are made upon the joint warrant of the Comptrollers' Department and the Secretary, who is in charge of the clerical force. All salaries must be authorized by the Office Committee and the authorization filed with the Comptrollers' Department. In short, all disbursements must first be authorized in a general way by some Committee, and some one deputed to sign the warrant for each payment or class of payments. Records of the disbursements with vouchers form the basis of frequent reports, all of which are verified by the Comptrollers' Department. The Auditing Committee also employs an expert accountant who makes an independent audit and reports directly to the Auditing Committee.

Each Branch Office in the United States, Canada and Mexico makes a daily report of its receipts and disbursements to the Comptrollers' Department. The reports from foreign departments outside the European Department, are received as the foreign mails arrive. Premiums and commissions in the reports are checked to see that proper authority exists, and at the end of every month the reports are summarized for the bookkeeper and distributed by him to the proper accounts in the general books of the Company.

These statements and illustrations of Home Office organization and methods indicate (1) the complete oversight maintained by the Trustees of the Company; (2) the thorough organization of the Home Office force, each Department and Division having its own proper work and each supplementing and acting as a check upon the work of others. The methods embody the ideas of the most skilled organizers and the most complete appliances in use in the business world. The system by which the business is done is made as perfect as possible, and then, in order to provide for exceptional cases and add human judgment to the machine, a "Division of Inquiry" takes up such cases and looks after delays of every sort.

CHAPTER VI.

PERSONAL AND PUBLIC ASPECTS OF LIFE INSURANCE.

EXTRACTS FROM ADDRESSES BY DARWIN P. KINGSLEY, PRESIDENT NEW-YORK LIFE INSURANCE COMPANY.

A FEW OF THE THINGS THAT LIFE INSURANCE DOES.

From an Address before the Finance Forum, West Side Y. M. C. A., New York, April 19, 1911.

1st.—It answers the question whether or not a man will live long enough to provide for his family. To the extent that money can represent a man's productive power it doesn't matter when the properly insured man dies.

2d.—It cultivates aggressively the principles of self-respect and individual responsibility, which are the very essence of our civilization.

3d.—It prevents the social defaults which premature death otherwise brings—defaults which are quite as disastrous to society and frequently as dishonorable as those which occur in banking and general business.

4th.—It meets, as nothing else does or can, the demands for capital of a society rapidly developing and offering the faith and earning power of unborn generations as security for money which must be spent now.

5th.—It is a banker for millions of people—a banker who cannot be ruined through panic, but who allows every depositor to draw on him at any time to the extent of his cash credit.

6th.—It joins business to a constructive sociology; it puts the man of small means into touch with a statesmanlike plan; it enters the realms of imagination and takes us at least to the threshold of a new social order.

THE ULTIMATE MEANING OF LIFE INSURANCE.

From an "Address on Life Insurance in its Relations to Sociology", delivered before a class at Yale University, February 5, 1908.

It is time now to take cognizance of the ultimate meaning of Life Insurance. "We do not reach science", says Dr. Small,* "until we advance from knowledge of what has occurred to knowledge of the *meaning* of what has occurred". Let us examine Life Insurance a little more closely while it is performing its function in society in order to ascertain the meaning of what occurs.

*A. W. Small, D. D., head of the Sociological Department, Chicago University.

(1) Take a group of men aged twenty-one. When they insure their lives *what does it mean to them?* It means that they have initiated a new social process by which they will be able to pay their debts, by which the probability that they or any member of their families will ever be added to the dependent group in society is greatly decreased.

Sociology shows that for everything which distinguishes the present state of society from barbarism we are indebted to the past. Every man is a debtor according as he has received, and the young man who has been nurtured and educated by the social processes of the present generation owes a great debt. It will take time to pay it, and time is the one thing he is not sure of. He may die to-morrow. Life Insurance shows him that a certain proportion of the men of his age will die during the coming year, and that other numbers will die during each ensuing year until all are dead. It shows that, while some will not live a year longer, others will live over seventy years longer, and that the average number of years which all will live after age twenty-one is over forty. The man who dies young, cannot possibly pay his debt by ordinary methods, but Life Insurance is a process in which the man aged twenty-one is dealt with on the assumption that he will live forty years longer. By a small sum which he has already earned, and other equal sums which he may earn in each year as long as he lives, he provides for the payment of his debt, whether he dies soon or lives long.

This means to him an increasing sense of self-respect and of freedom. He has made provision from his own resources for paying his debt; and he now plans and works, not in the shadow of a doom that may interrupt his plans and cut short his work, but with the assurance that his plans may be carried out and his work completed, in a measure, no matter when death may intervene. This danger to his life plans, which was before vague and uncertain but absolutely fatal when it came, has now been definitely located, measured and provided for. He may now plan and work on the assumption that he has forty years of life before him. He has capitalized his youth, his health, his education and his skill in a form that enables him to pay his debt, but not in a form that enables him to spend it or lose it. On the other hand he is now at liberty to use more freely in other ways the capital he accumulates by other methods, because he has provided for the future of his family.

If it be said that Life Insurance does not directly create material values, but is only a method of distribution; the sociological answer is that distribution is necessary in order that other social processes may go on. The grain raised on a Western prairie would have little value if it could not be so distributed as to be available for those who need it. It is worth more in Chicago than where it grew, more in New York than in Chicago, more in Liverpool than in New York. Our whole transportation plant, which earns more than almost any other single industrial plant in the country, is based upon the principle that distribution adds to value. A human life strictly by itself may have little value. As a part of the social unit which we call the family it has more value. As a part of the civil organization which we call the State, it has a still higher value—higher chiefly because it is now in combination with others. As a member of an organization which may comprehend millions of similar

units, based on an immediate capitalization of the value of every unit, in other words, as a factor in the co-operation and distribution which Life Insurance inaugurates, the individual life finds its highest sociological usefulness.

Life Insurance not only increases wealth by distributing it—it transforms material wealth into social wealth. Money is of value only for what it will buy, and the wise man is continually exchanging it for something better. Life Insurance transforms money into comfort, self-respect, education, character. From a sociological standpoint processes are valuable according as they create conditions and sentiments favorable to still better processes. The co-operation of patriotism creates conditions, but it adds no new element to human association and it ultimately depends upon force and violence. In the co-operation of industrialism the utilization of new materials and new processes is a most important sociological feature, but new processes and new machinery render the old useless and create new conflicts, so that the net gain to society is thereby diminished. Life Insurance introduces a new element into co-operation—the continuity of the race—and upon this basis it erects a social structure that destroys no pre-existing values, creates no new conflicts, and depends in its operation upon moral and social forces. It seeks what the sociologist seeks —the betterment of society, that is, the society of the future. It makes its appeal to the profoundest instincts of manhood, and those who answer the appeal are so quickened in their moral nature that they are better prepared for their other work as social units. Patriotism,—admirable as it is,—tends to separate men of different nationalities, to make them contingent enemies; industrialism,—necessary as it is,—introduces a competition that is akin to war, and its progress is attended with conflict and waste. Life Insurance draws men together as moral and social forces whose highest interests lie in the future and in their children.

(2) *What does Life Insurance mean with respect to those for whose benefit men insure?* So long as the head of the family lives, all the members share with him to some extent in the improved status which Life Insurance gives to the family as a whole. If he dies prematurely, Life Insurance prevents the pathological condition into which his family would otherwise fall. They are not placed in abnormal relations to the social organism, but are enabled to continue the *status quo.* Their development will proceed in an orderly manner, without any violent change of relations in their environment. In this environment a sudden change, either from affluence to poverty or from poverty to affluence, is not in accord with the most helpful social process and is in either case usually a misfortune. Life Insurance rates a man at what he is worth, not by any arbitrary standard, but by what he is, physically and economically, and at his death it passes this value on to his family.

Again, Life Insurance fulfils for the family the law of the family, the first law of Sociology, that members are to be treated according to their needs, and not according to their capacities. It makes provision for that education and culture of children which the father would make if he lived. Society at large, seeing the necessity of education, creates and maintains at great expense an educational structure, in order that all children may receive some

degree of the training necessary for their efficiency as units in the social organism.

"The primary symptom of failing health in a body politic" is declared by the sociologist to be "lack of opportunity—opportunity primarily industrial, then opportunity of every sort in which the interests of the individual are capable of being effective". Obviously, the opportunity of an education is lacking to the child who is kept from school to add to the income of the family by its labor.

(3) *What does Life Insurance mean to society at large?* As society is made up of units, it follows that the well-being of the organism will be promoted by anything that benefits the individual units. If Life Insurance enables men to pay their debts and to work according to larger plans; if it creates a new social process that avoids conflict and waste; if it adds to material wealth by scientific distribution and to social wealth by its wise response to social needs; if it enables the family to develop along normal lines, without any of those violent wrenches which tend to throw the social organism out of gear; then it supplies the conditions and forces for a normal and healthy development of society itself. Society always has on its hands certain classes of dependents for whom it must provide,—one of its most difficult problems. It grapples with such problems with clumsy hands. They belong to the family and can properly be solved nowhere else. Life Insurance tends to prevent any further increase of this class, and by increasing the number and maintaining the efficiency of the better class, it strengthens the hands of society for the work it must do. It increases also the number of those who, having provided for the sustentation of life, are able to give time and strength to the augmentation of life—to its enrichment by culture and the arts, and to the development of better structures in the social organism. It is thus in harmony with the final purpose of the social process which is declared to be "the incessant evolution of persons through the evolution of institutions, which evolve completer persons, who evolve completer institutions, and so on beyond any limit we can fix".

A New Declaration of Independence.

From an Address before the Eastern $100,000 Club, Old Point, Va., Oct. 8, 1902.

Our profession contemplates duty rather than rights. It teaches, in effect, that natural rights cease with years of discretion; they pass away with the advent of manhood. In some form or other, for every man, life becomes a conflict as soon as the period of responsibility is reached. If a man lives, he must fight. If he enjoys any measure of freedom, he must fight. If he achieves any happiness, worthy the name, he must fight. To the adult, therefore, the Declaration of Independence should be superseded by a declaration of duties. We hold that a man is born to responsibilities; endowed with certain inalienable duties, amongst which are labor, that he may earn the right to live, and co-operation that he may give as much as he gets and be happy because he has, of himself and unaided, made provision to meet every liability. * * * * * *

Life insurance is the doctrine of duty. It is the highest civic code yet practiced by man. It is not philanthropy, which does about as much harm as good;

it is not the hysteria which too often characterizes benevolent and religious work; it is not the selfishness of the Declaration of Independence: it is the new doctrine of duty, the true democracy. It asks no favors, avoids no obligations, seeks no forgiveness for debts. It exacts its just dues, demands its full rights, enforces its equitable claims. It bullies no one, and cringes to no one. It is rapidly dissipating what little body ever existed in the fiction of kingly prerogative, and it promises to eliminate purgatory from the territory of the hereafter, since it compels its followers to pay their debts either before or at death.

It is a declaration of duty which shall result in the commonwealth of man; where the will of the worker will be supreme; where the toiler shall abundantly receive his daily bread; where all men will pay their debts, and ask forgiveness for no just dues; where temptation to injure others or degrade ourselves will be overcome.

This commonwealth will come because, amongst other things, we are slowly evolving and establishing this better declaration and higher doctrine of human rights.

We have established the fact that human life is valuable; valuable, not in the instinctive fashion which governs the law of self-preservation; valuable, not from a sentimental standpoint, but valuable from the material standpoint; valuable as an asset in the great conflict into which every man must enter as soon as he reaches the age of responsibility.

We are advancing even beyond that, and establishing a further fact,—that life is not an individual fight alone, although it is that; not something subject to the hazards of our daily contests, although it is that, too; not a matter of accident or chance, but that it is, or may be, like a great, almost tideless sea, reaching so far behind us and so far before, that no man can see its boundaries.

How to transmute life into a material asset is our business; how to shift life from a character otherwise fleeting, temporary, unstable, into a condition almost immutable and having the strength of the hills and the reach of the sea—is our mission.

Life Insurance and the Man.

From an Address before a Conference of the Principal Fieldmen of the New-York Life Insurance Company, at the Mount Washington Hotel, Bretton Woods, N. H., Thursday, September 29, 1910.

In what respect is the work of life insurance unique? What is the finest thing it does? Not what is its greatest achievement, measured as we measure the achievements of other forces in society, but what particularly unique and fine thing distinguishes it? In what important field is it first, indeed almost alone?

We dwell on the wonderful service it is rendering—especially in the great companies—through the necessary and large accumulation of securities. This service was little thought of a few years ago. Now all the world wonders at it, and all the politicians try to make it pay tribute. But in this service life insurance is not unique. Other great sections of organized society do the same work. The savings banks do it, the trust companies do it, although neither holds securities for such a high service or so completely divorced from all the influences which at times dislocate organized effort and bring ruin through violent fluctua-

tions. We cannot, therefore, call this the unique, the finest product of life insurance.

We also dwell, and naturally so, on the beneficence which is primarily the reason for the existence of all life insurance. And they present a wonderful picture,—those millions sent daily almost with the speed of light just where they will do the most good. A policy maturing in Alaska is worth just as much as it would be if it had matured in New York, and the beneficiaries receive its proceeds almost as quickly. * * * Here, again, life insurance is far in advance of any other system of beneficence known to society. But while it is more efficient than other projects, more immediate in its action, more substantial in its sources of responsibility and power, it is not in this respect unique. Everywhere there are great foundations doing similar work. There are hospitals, orphanages and homes for the aged and indigent with millions behind them dedicated solely to a beneficence which is fine but which not infrequently runs into charity. No, even this beneficence, which is naturally considered by many people to be the beginning and the end of life insurance, is not its unique, not its finest work.

* * * If neither the direct benefactions of life insurance nor its service to the industrial and commercial world as a buyer of securities constitute its unique, its finest service; in what does this service consist? Mind, I do not say its greatest service. I purposely use the words "unique" and "finest". * * *

One of the noticeable contrasts between Europe and America is the larger number of insured and the larger amount of life insurance per capita in private corporations in America? Why is this? There must be a reason for it. * * *

There is a natural, a necessary, a mutually creative relation between the development of life insurance in the United States and the peculiar character of the citizenship of the United States; each explains the other. American citizenship was the virgin soil; the life insurance idea was the vivifying, fructifying sun. The product, American Life Insurance, towers above other beneficent and business structures as the sequoias of California tower above the great pines which surround them. In its result it surpasses other plans because it has reached in the individual what other plans have not reached, because it alone has cultivated and satisfied that sense of personal obligation to general society which rests upon every member of every American community. Whatever else they may do, whatever else they may be, our great life companies are conclusive proof that a keen sense of civic duty pervades the entire people.

Consider some of the facts which distinguish our citizenship from the citizenship of any other land: Here no man may be troubled because of his religious convictions. Do you realize that this is true in no other important country on earth? It has not been true here very long, but it is true now. The certain knowledge that we may not be harassed or oppressed over what we believe or do not believe about any of the great so-called fundamentals of religious faith makes us all stand a little straighter. It cost much to accomplish that. But church and state are forever separated here, really separated. That is not true of any other considerable nation. Such a condition seems perfectly natural to us, but it was not so natural to our forefathers. Only yesterday, or at most a few generations ago, they were hanging Quakers and jailing Baptists.

American life insurance could never have attained its gigantic proportions

except for the complete separation of church and state, except for the regeneration of society which that condition has brought about. It could never have become what it is while some overlord was responsible for men's convictions,—so long as men did not directly and individually grapple with all the problems of life and of death, too. It could never have become what it is unless the souls of men had been awake, or unless it had been able to awaken them. With civil and religious liberty came the demand for a new man, or, perhaps it would be better to say, came the opportunity for a new man. The calamity unspeakable would have been the failure of the new man to appear under the inspiration of such conditions. If selfishness and not responsibility, if license and not liberty had taken control, our last condition would have been worse than our first. All that might have happened. Many prophesied that it would happen. Some critics claim that it has happened; but we know better. We know that more and more our people love justice and fair play, more and more they hate graft and special privilege, more and more they value the right of franchise. Steadily they are rising to the high demands which government by the people makes upon its citizenship. * * * * * *

About two and a half generations ago, when as a Nation we had passed beyond our period of organization, had purchased Louisiana, fought the War of 1812, acquired the Oregon country, Texas, and the territory which includes California, we were ready for our real advance. Just then life insurance began its active propagandism. As a clean-cut fact, what was its plea? It went to a man personally and said to him, first of all, "You are a man; you are valuable because you have responsibilities, high responsibilities to your family, to yourself and to the State. You cannot avoid those responsibilities and be a good citizen. No one else can discharge your duties for you. You can discharge them and you must". It appealed to manhood. Its voice cut through the fogs of prejudice, the clouds of superstition, and the mysteries always assiduously cultivated by every type of ruler. It was many-voiced and many-tongued. It sent out thousands of missionaries preaching the new gospel. These preachers could not talk to their text, they could not succeed, if they wandered from the doctrine of man's individual responsibility. They preached no hatred of other men; they held up no terror of authority; they offered no menace; they appealed to no impulse of greed. They didn't talk systems of government or religion. They struck straight for the greatest thing in the world—a man's self-respect. They reached it, and when we understand that fact, wonder ceases over their mighty success. When they reached self-respect they quickened the man. When there was in the man only a spark, they fanned the spark into a flame. When that flame burst forth the man was transformed. Away went inherited fears, away went the hesitancy and lack of decision and weakness born of dead generations and dying systems. Forth stepped not merely an insurant, but a man of a new type—armed as no other citizen of any other country was ever armed.

What other business or profession has for three-quarters of a century driven home, singly, an idea so vital to the sound development of the nation? Other forces have worked, it is true, but none so uniquely, and none has stuck so close to the real point. Religion worked mightily, but coupled with its exhortations were necessarily the demands of that authority which is inseparable from every

form of dogmatic theology. Politics worked, but generally for an appropriation first. Life insurance alone called directly to the man, to that divine something in him which has been struggling upward for thousands of years. Every policy placed made a better citizen; every premium paid was a guarantee of the perpetuity of the Constitution.

Now all the world begins to see the power and the prophecy which inhere in the citizenship of the United States. There was never a citizenship like it. That is a matter of history, a matter of fact. We believe that it is fairly conscious of its might, that it is fearless and yet fair. We know that it responds ultimately to every worthy appeal. We know that it is grim in its hatred of oppression. We are certain that in the end it will—as it always has—cast out false leaders.

If you analyze this citizenship seeking to know its dynamics, seeking to understand why it hates oppression and wants the square deal, why, largely from a moral impulse, it once sent a million men into battle, why it lately won freedom for a fair island and then renounced dominion over it, if you pull it to pieces to learn in what consists that moral and spiritual power which still makes the United States the land of hope for the plain people of all lands,—if you do this, you come in the last analysis to individual self-respect, the nerve centre of civil and religious liberty. At the same time you find yourself at the very sources of life insurance; you have reached its origin and you understand its gospel. * * * * * * * * * * * * *

American life insurance has fostered and encouraged the religion of self-respect. It has been militant in its methods. It has been as fierce as the Crusaders in its attacks. In its ministrations to the needs of the weak and the defenseless it has been as gentle and as blessed as the dews of heaven. Its creed, your creed, was phrased by Emerson, who was a prophet, in these words:

> "We will work with our own hands,
> we will walk on our own feet,
> we will speak our own minds."

When the upright man, standing upright, was needed, we called to him, called on his soul, and all that was within him, and he responded, "Here am I." In this respect the work of life insurance is unique. This is the finest thing it does.

Life Insurance—the Discoverer and the Lawgiver.

From an Address to the Inspectors, Agency Directors and Leading Fieldmen of the New-York Life Insurance Company, Augusta, Ga., January 19, 1911.

The greatest discovery made since man began to hunt for truth is man's discovery of himself. The greatest organized institution, helping to expand and extend that discovery and to establish it as a practical fact, is life insurance. A famous novelist once wrote a book around the idea of how not to do it. One of the puzzles in history—when it is reviewed in a large way—is how it happened that man was so long in beginning to discover himself. He looked for relief everywhere but in the right place. He could understand no help that was not external and mysterious. If he was ill, he wanted a miracle performed;

if he was hungry, he tried to steal his food from somebody else; if he was numerically weak, he bowed the knee and bent his neck under the dominance of some body or some thing which he thought could bring him protection and safety. He was especially afraid of death, because life had no meaning. So all kinds of institutions grew up, mostly based on the doctrine that man himself here and now was a worm of the dust, full of iniquity and of no account; possessing the possibilities of great things, good and ill, in an indefinite new world, if only he would act on the theory that he was of no consequence here and accept the doctrine that somebody else possessed all the secrets of this life and of the life to come. He was everlastingly looking for external authority. * * * *

All these things have arisen from the fact that man has not been looking in the right place for relief. It is possibly, even probably, true that until relatively recent times he had not developed to the point where he could take any other view. It is equally and undeniably true that ambition and the love of power created leaders who deliberately developed the wrong point of view and kept men from looking in the right direction, kept them from making the great discovery,—that the greatest thing in the world is man himself; that the most valuable thing in the world is man himself; that the most powerful thing in the world is man himself; that the divine thing which gives the world and the universe a meaning is again man himself. * * * * * * *

The discovery of the law of life insurance was not the only thing that made man discover himself, but it is one of the greatest things, and the practical application of the law is the greatest force in bringing man to understand himself and his own supreme importance. * * * * * * * *

When men discovered that there was a law of death they inevitably discovered the law of life. This was a real revelation. Every sound law is, when discovered, a revelation—if there is a general intelligence to comprehend it and a conscience to use it. The law of life insurance helped man to discover himself because it taught him that, through it, he could not only banish the terrors of life's uncertainty, but by its principle of co-operation he could of himself and by himself create a power that could do without waste what governments taxed him unmercifully to do and then failed to do. It suggested a new patriotism, because it taught him that there was no reason why he should slaughter his fellows in order to make his home safe. * * * * * * * * *

Perhaps the most striking peculiarity of the law of mortality is the fact that it reveals nothing concerning the individual when alone. It cannot be selfishly applied. Men had always been seeking some hint or prophecy of how long they would live—how long the individual would live. They studied the stars above; they called spirits from the vasty deep. The answers that came from without invariably brought degradation and reaction. The correct answer finally came from within—from man himself. The form in which it came indicated the use that could be made of it — it must be used co-operatively, unselfishly. It established a new bond of kinship. Here was a physical law of which every man was seen to be a part, a law that called for neither King nor Bishop. It gave a new meaning to the declaration that "no man liveth to himself and no man dieth to himself". If there is to be co-operation there must be peace, fairness, confidence, kindness, justice, responsi-

bility, faith, efficiency, and the law which underlies each of these great rules of conduct life insurance teaches constantly.

As soon as the law of mortality was applied by life insurance it became a discoverer in the moral realm also—a discoverer "of the thoughts and intents of the heart"—the very work which the Apostle attributes to the word of God. Life insurance discovers the man who needs it and makes its appeal, not to any outward authority, but to the moral law written in the heart. It thus becomes the moral law giver. It says "you ought". There is no voice of authority higher than that. "Am I my brother's keeper?" Not in the sense that I must impose my belief and practice upon him and persecute him if he does not agree with me. Am I the keeper of those whose support I have undertaken? Most assuredly—to the utmost extent of my ability. That is the answer of every manly man—of every honest heart. But before the discovery of the law of mortality and its application by life insurance, a man's power to support his family was limited by the length of his life. If life was prematurely cut off, we placed the blame for failure to support the family upon Providence or fate. Life insurance has brought the responsibility back to the man's own door. He *can*, therefore he *ought*. Since life insurance has become the moral lawgiver, Providence has become less inscrutable; fate has become more kindly. * * *

Civil laws are as various as nationalities. Life insurance laws are the same everywhere. Civil laws halt at the frontier. Beyond that there is the fiction called international law. International law in its last analysis is still based on the doctrine that might is always right. To bring its children into harmony from world's end to world's end life insurance needs no courts of arbitration, no Hague Tribunals. And why? Because it has discovered that men are essentially the same everywhere; because it has discovered that international hatreds are the product of false theories; because, naturally and not by grace, men trust each other. Having made these discoveries, it became the lawgiver, civil and moral.

Its first law is co-operation, its second law is justice, its third law is self-respect, and then comes in the law of "you ought" following hard on the heels of "you can". This lifts man's eyes to the contemplation of his own majesty, his own responsibility, his own power.

By its discoveries and by its laws life insurance changes man from the creature to the master, from a means to an end, from a mob to a solid phalanx. It banishes the otherwise constant and demoralizing fear of death and sets men to living

> "As if this flesh which walls our life about were
> brass impregnable."

Life Insurance—Its Service and Leadership.

From the New York Independent, Nov. 22, 1900.

Life insurance, as it first took form, was a prophecy of the day when man's outlook would be as wide as the world; it was the expression of an idea that was peaceable, unselfish and wise, yet having withal a militant side. Under certain

great leaders this beneficent idea not only prophesied, but fought. It preached the doctrine of human fraternity, and at the same time vigorously attacked the prejudices, the vices and the provincialisms that scatter and embitter men and retard progress. With the beginning of the twentieth century the period of prophecy draws to a close, and the militant period, the time of command and leadership, begins. * * * * * * * * * * *

Life insurance is about to pass out of that portion of its history in which it has struggled and pleaded. It has been pleading for an unwelcome doctrine; the doctrine that, in spite of race and religious hatreds, in spite of color, climate or the ambition of so-called statesmen, man has no natural reason to hate his fellow-man; on the contrary, he has a community of interest with all other men. This doctrine has not been welcome to the vicious, to the intemperate, to the improvident. It has not been too welcome to those who try, by appeals to national pride, to fan the flame of hate against other men called "foreigners".

Life insurance in its period of pleading has had enemies within, too, as well as foes without. The force of its doctrine has not infrequently been weakened by the action of those of its own household—men who professed its faith, but understood not its doctrine; men who failed utterly to comprehend its scope; men who desired a "little" world and small things; men who have carped at and criticised those who believed in a broader theory. So-called servants of our faith have foretold disaster to those who undertook to preach the Gospel of universal prudence; they have even appealed to the prejudices that tend to make all men reactionaries. But against foes within and enemies without, life insurance has been spreading over the earth like the coming of the light of a new day. It has gathered its armies from beyond every sea, but chiefly from wherever the Anglo-Saxon dwells. Life insurance to-day is the very spirit of the Anglo-Saxon race: its methods are masterful; it seeks to meet and mingle with all men; it learns and it teaches; but chiefly, it has an ideal, for which it strenuously labors.

Like the Anglo-Saxon race, life insurance has not waited for the times to come right: it has forced the hand of Time; it has called into use the best organizing ability, the broadest courage, the best business methods; it has grown more and more insistent, more and more militant, more and more dominant, more and more successful and useful. It has taught men how to link together not only the strength of individuals, but the immeasurable strength of generations, and in preaching that gospel it has come in itself to illustrate the power which it taught men to use. The very law which made men better when they insured their lives has made life insurance mighty with the lapse of years. We have heretofore thought almost exclusively of its moral and beneficent side; hereafter we shall think more of what we may call its physical side, of the enormous force which it will be compelled (whether it would or not) hereafter to exercise in the affairs of men.

It has come to be an axiom in war that the nation wins which has the longest purse. No group of men on earth to-day, organized for an industrial purpose, or organized for a civic purpose, has behind it, dedicated to a single use, such vast accumulations of wealth as have they who make up the army of the insured.

The most impressive thing in the world at the dawn of the twentieth century of Christian civilization, is the vast strength of the forces that are ready to make its history. In no previous century of this era, or of any era, has there been such organized power, such command over the forces of nature, such centralization of men. Among all the forces that will enter into the contests of this new and great arena, there is no moral force to compare with life insurance; and from a physical standpoint, which of all the giants of the new century will dare to measure strength with this Hercules?

The power of life insurance, both morally and physically, is unlike the power of any other institution ever erected by mortal hands. No progressive condition can menace it; no advance in humanity can bring about its destruction. In the coming century there will be fighting on many fields; there will be a vast sacrifice of human life, an untold waste of human effort. Civic organizations that in other days led the world to a higher level will in turn be crushed and destroyed, because new forces and new and better men demand a better State and better governments. Religions will clash, and the old war between science and revealed truth will go merrily on.

Without destroying any good thing now existing, without halting or impeding the advancement of any new truth, without waste, life insurance will go on. Only degeneration in the moral fiber of the world can shrink its beneficence and paralyze its aggressive strength. * * * * * * * * *

Life insurance is a strong city and a sword of fire. It holds in a vast citadel of conservatism the ambitions and the hopes that run through the notes of every wedding-march, that cluster about every cradle. It has, too, in its treasure-house securely locked the commercial faith of men, of cities, of States, and of nations.

Its doctrine compelled it to preach and prophesy in the nineteenth century; its power and place will compel it to lead in the twentieth century.

Taxation of Life Insurance.

From an Address delivered before the 18th Session of the Trans-Mississippi Congress, at Muskogee, Oklahoma, November 20, 1907.

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In substantially every organized form of society that has ever existed there has been a recognition of the fact that it was good public policy to encourage the growth of certain ideas and interests, whether all individual citizens were directly benefited by such growth or not. For example, when Colorado became a State, provision was inserted in the Constitution exempting mining property from all taxation for a period of ten years. This, of course, put all the burden of taxation on other forms of property, but it was the judgment of the men who framed the Constitution and of the people who adopted it that the added burden was warranted because of the encouragement which would thereby be given to mining enterprises and the ultimate benefit which would accrue to all forms of property in the State. The same idea on a much larger scale is represented in the exemption of church and school property from taxation. It is stated on good authority that the value of property owned to-day in the United States by the

various churches is five thousand million dollars, and none of it is taxed. It is not taxed because the controlling opinion has been that the Church was a benefit to the State, that its influence upon the whole was of value to every citizen, that its work ought to be encouraged, and that the burden of taxation ought to be placed on other forms of property. The same argument has been used with regard to school property.

Of course, in exempting church property from taxation, every tax-payer, believer and unbeliever, is taxed to make up for the exemption. If property owned by the Church pays no tax, then other property pays more tax. So the State in effect has said that the unbeliever should be indirectly taxed for the support of the Church because the Church is a publc benefit.

Every one of these arguments applies with almost equal force to the premiums of life insurance. We have now reached a period where it is difficult to find a man who will claim that life insurance is not a public benefit. Substantially every citizen recognizes the conservative value of life insurance: not alone in the burdens of which it relieves the State; not alone in its fight against want and poverty; not alone in the protection which it affords the defenceless—the opportunities which it gives boys and girls where otherwise there would be no opportunity—but in the part it plays in the industrial development of the country,—in the demand which it creates for good securities; in the conservative position which it takes with regard to securities; in the great centres of financial conservatism and strength which it necessarily creates. And yet, while life insurance plays all these important functions in society, it has been taxed and is still taxed as though it were in some fashion a public menace, or, if not that, at least a strictly private enterprise in which the State had no direct interest, and indeed an enterprise of which the State in its necessity may take advantage.

Under the system of taxation adopted by the various States in this country, in one form or another every dollar of premiums paid by the policy-holder is taxed. These taxes range from a fraction of one per cent. in one or two States up to more than three and one-half per cent. in one State.

The premiums which the insured pay are in themselves a tax, self-imposed. The great body of them represent serious economies, and even sacrifices, on the part of the policy-holders. They represent savings which more directly benefit the State than any other form of investment, and yet while the State exempts school property and church property, it taxes the premiums of life insurance. A parallel argument may be made with respect to the exemption from taxation of savings bank deposits. The man who puts his money at interest in a savings bank is not taxed; the man who puts his money into life insurance is taxed. There is a monstrous inconsistency in this situation somewhere.

There has, beyond any question, been a decided advance of late in the campaign against special privilege and special advantage, as against the general public. Railroad passes have been abolished, and everybody applauds the action. There are other special privileges and advantages which ought to be abolished, and they will be. But my argument goes to this conclusion: that if as a matter of public policy it is just and wise to exempt school property and church property and some other forms of property from taxation, then the premiums of life insurance ought to enjoy the same exemption. * * * * * *

THE KINGDOM AND THE RICHES OF LIFE INSURANCE.

From a Paper read before the Annual Convention of the Southern and South-eastern $100,000 Clubs of the New-York Life Insurance Company, Tampa Bay, Florida, March 13, 1901.

There is current everywhere—and especially in this country—an uneasy feeling with regard to what we call wealth; a feeling that, at times, approaches actual hostility. This feeling is directed generally against a few men who have so much of the world's goods, that we call them rich; or against those great modern engines of co-operation called corporations. But men, as such, and corporations, as such, are relatively of little consequence; and, while this feeling of unrest and hostility find a tangible object of attack in such men, and in corporations, its true significance must be sought in a wider field, and its menaces, if any exist, are not simply against men, or corporations, but against society at large. * * * * * * * * * * *

It has become the fashion now-a-days to dwell on the riches of the world. We have lately been greatly impressed because the entire civilized world has been insisting that the United States—both actually and potentially—is a fabulously wealthy Nation.

As a matter of fact, the world has always been poor; and is poor to-day. The gaunt figure of Hunger stalks only a little way in the rear of every man, and all nations. The History of Civilization is the story of an interminable war with Hunger. Every instant of time that separates the cradle from the grave is made up of conflict with a tireless, insistent enemy; and that enemy is Hunger. * * * * * * * * * * * *

The great contest of all life has been for mere existence; for something to eat. It is just as truly the condition of the world to-day, as it was a hundred thousand years ago. England, for example, is supposed to have a food supply for two weeks, if all external sources of supply were suddenly to fail. If the world were really rich, the spectre of Hunger might be removed to some distance; it can never be banished. The world's problem, therefore, broadly stated, has always been, How to become really rich! How to accumulate something from which to satisfy for more than a day that dire necessity which stands always at hand demanding an unending dole!

The first step in the solution of the problem was, and is, *the Physical Conquest of the Earth.* The second step is *Co-operation between Men.*

The Physical Conquest of the Earth began as soon as animal life appeared upon its surface. * * * Man began the contest with his brain, his hands and his senses only. With these he fought his fellows, and beasts only a little wilder than himself. He tore at the surface of the earth with such rude implements as necessity most quickly suggested. He hid in holes and caves, when an ungenerous earth pinched him with cold or blistered him with heat. Necessity, and something internal—something that has lighted the torch of Hope, and has always whispered of what we call Immortality—drove him on; ever on. He not only fought Nature, but he watched Nature, and learned some of her secrets. He grew cunning, and turned these secrets to account. He used the winds, the tides, the rain, the seasons. As he watched and listened and fought, he gradually came to learn some of the deeper secrets of Nature. He developed chemistry and mechanics; and, little by little advanced—always

with great suffering and loss—until to-day he has, in some senses, not only the earth, but the solar system in his grasp, or, if not in his grasp, at least spread out before him in such a way that further discoveries are certain, and other secrets must be learned. * * * * * * * * * *

The conquest of Nature has been long and painful, not only because the problems were intricate and the contest unequal, but because man has never been able fully to understand himself and his fellows. When men met other men, there seemed always to be the same hostility that Nature has fixed between men and beasts. Even as they fell upon the beasts of the forest, so men fell upon each other. All men had common enemies, all men had common interests, but this they, apparently, could not comprehend. They turned aside from the fight against Nature in order to exterminate each other, in order to destroy each other's works. In their conflicts they even lost some of the knowledge, some of the secrets that they had won from Nature. They fought each other, and, as a result, fell back before Nature, and then again they advanced their fight against Nature, and with some success. They grew rich, and thereupon they threw their riches away. They accumulated power, and then used it to destroy each other. They discovered truth, and then used it for the extermination of their fellows. And when they got here and there a glimmer of a great truth, they erected this into a revelation from God, and on it they built great systems of religion; and then these systems came into conflict, and thereupon arose such fighting, such woe, such loss, as let us hope we shall never see again. * *

But there are reasons to believe that the time is near at hand when all this may in some senses be changed. * * * There is a new idea at work in the world. An idea that knows no hate, no prejudice, no national boundaries, no intolerance, no superstitions. The new idea—new in the sense that it is now really making itself felt—is

Co-operation as Opposed to Competition.

It is perhaps the most prominent fact in the world to-day, and it has assumed that attitude within the last quarter of a century. It now comprehends in some degree all the leading forces of modern life. It has brought into alliance—either wholly or in part—transportation, the creative industries and the savings of the world. This certainly changes the whole problem. This, if carried to a proper conclusion, will not array man against man, but in solid ranks against Nature solely. What will be added to the wealth of the world by such alliance is altogether beyond calculation. How much the gaunt figure of Hunger will be pushed back, and how much the burden of fear that rests upon the hearts of the world will be lightened by this process, is also beyond calculation. But even so, if there were no process that reached farther, the world would still be poor. The world would be poor because such co-operation is, after all, only the co-operation of force, it is the co-operation that saves waste, it is co-operation based on intelligence and good business methods and sane processes; but there is no courtesy or mercy in it, no real charity, no positive helpfulness.

The form of co-operation that means most—our phase of it, life insurance—really began to assert itself soonest. It taught the first lesson, which has resulted in the erection of the great modern co-operative industrial institutions.

Our style of co-operation is not based upon a day or an hour; it does not stand upon simple negations nor the weakness of men, it is more than a question of salvage or the elimination of hostility; it takes a much broader view. It looks at our picture of the world of to-day, and while it sees the significance of an alliance between the existing Powers of the world, it also sees a much wider alliance, a much vaster accumulation of power. It takes all these into account, and adds the living and the unborn generations of men. It builds an empire on a co-operation, which includes a study of the past, the duty of the present and the certainty and the uncertainty of the future. It recognizes the laws which govern humanity as a whole, and knows that birth, progress and death, generation after generation, form a basis of strength much sounder than the laws that govern any nationality at any given period of time; and that a kingdom founded on consideration of that sort will be wider and deeper and more lasting than any kingdom the world has ever seen. And not only that, such co-operation has in it an element of courtesy and mercy; it has in it all the business wisdom of a great trust, all the sane processes that have taught men to stop fighting each other, and, in addition, a touch of something that is closely akin to religion. Our profession is this high type of co-operation. * * * * * *

We have no quarrel with patriotism. The best patriot after all, is the man who so loves his family that he makes intelligent sacrifice for its benefit. But patriotism need not be bloody. We hold that the patriotism of one hundred years ago is as much out of place in the twentieth century as the stage-coach, as much outgrown as the methods of the witch-doctor or the Indian medicine man. It was not easy to teach the world nationality; it will not be easy to teach it internationality, but the lesson will be learned. We are busy teaching it. We are teaching the rule of the new king—the old king is dying. We are teaching the people to know their own power—the old fear is dying. We are teaching the new patriotism—the old race hatreds are dying, and they die hard. We are teaching the secrets of the new wealth—the old wealth was weakness. We are putting bands stronger than steel over the border-line that otherwise separates the Past, the Present and the Future. We are awaking a life that does not end with the generations; a memory that never sleeps and never forgets, and never loses what has once been gained.

We seek to make some portion of all effort immortal, by putting a beneficent purpose into all civic life—just as science has lately shown us is the law and the fact all through the universe.

We are marshalling a great host who are poor by the old standards, and rich by the new. We do not yet say that poverty can be abolished by our method; we know it cannot by the old. We do not say that the grim figure that pursues us can be exorcised by our programme; we know that it grows more insistent with each year under the old programme. We may never completely banish poverty, but we can see how, to the confusion of an old adage, it can be made a fault always and generally akin to a crime.

Our method is co-operation through life insurance. A co-operation as wide as the world, as deep as time and as tender as love. A co-operation of the people, by the people, for the people. A co-operation of this generation with the previous generation and with all generations to come.

The Relation of the State to Life Insurance.

From an Address before a Conference of the leading Field Organizers and Agents of the New-York Life Insurance Company at Frontenac, N. Y., September 15-17, 1908.

I assume at the outset that the State has the right to supervise the corporations which it has created; and it will probably be conceded that such supervision should be appropriate to the nature of the business and in accordance with well established economic laws.

I wish to call attention first to the radical difference between a life insurance corporation, and other corporations whose proper supervision is now a matter of public debate. Take, for example, a railroad corporation. Its charter does not simply authorize it to engage in the business of transportation, but it gives the right of eminent domain. If it needs your property in order to complete its line, it has the right to take it by condemnation proceedings. In other words, the railroad receives a special favor from the State because of the service it proposes to render. When it is ready for business it may not, therefore, rightfully charge what it pleases and say, if people don't like its terms they can buy transportation elsewhere. The amount of transportation to be done in the country through which a railroad passes is limited, and any railroad built there is limited to the business which the country furnishes. It takes a long time and a large amount of money to build and equip a railroad, hence in many cases competition cannot be had. In the case of a street railroad, its tracks occupy the streets and leave no room for competing roads. In the case of telephone, electric light, and gas companies, the streets must be torn up and the citizens subjected to a certain amount of inconvenience and loss before the company can perform any service, and the number of companies which can operate within a given district is limited by these and other considerations.

But a life insurance corporation secures by its charter no control over private property and no privileges which are not free to all life companies. It claims no right of eminent domain; it occupies no public thoroughfare; it strings no death-dealing wires overhead or underground; it digs up no streets; it builds no gas tanks; it makes no dangerous crossings, it pollutes no atmosphere; its operations are noiseless; new companies are readily created and no monopoly is possible. However desirable it may be, it is not like transportation, or light—something that people can't live without. It is not something that the whole community comes to depend upon. It is rather something that no one is vitally interested in, or dependent upon, except those who voluntarily engage in it, either as insurers or insured. Except in its general bearing on the welfare of the State, it is more like a partnership or a private business—and it takes corporate form in order to secure strength, effective management and perpetuity.

The activities of men, both privately and by means of corporations, may be divided into two great classes—those to which they are driven by necessity—by hunger, by lack of the comforts of life, and by the desire of accumulation—and those which have their motive in the higher impulses—in affection and in the sentiments of duty, justice and charity. And so we have, on the one hand, manufacturing plants and public service corporations, and on the other, schools, libraries, churches, asylums, homes for the aged—and life insurance companies.

A Plea for Federal Supervision of Interstate Insurance.

Condensed from an Address on this subject before the students of the University of Missouri on February 16, 1909, in which it is shown:

1. That insurance—which was little used at the time of the formation of the Constitution—has now come to be a notable factor in the traffic, credits, commerce and family life of the country. That, until quite recently, it was a local affair, but it has now become a national affair, and even an international affair, and its attempted regulation by 46 separate States produces confusion, injustice and unnecessary expense.

2. That the chief obstacle to supervision by the Federal Government lies in the fact that the Constitution gives Congress no authority over insurance as such, and that the Supreme Court has decided that insurance is not commerce, which Congress is authorized to regulate between the States as well as with foreign countries.

3. That the Supreme Court has sometimes reversed former decisions; that as exigencies have arisen the Federal Government has found it necessary to "interfere" in matters theretofore controlled by the States, for the purpose of executing some of the general powers of the Government; and that in the case of Champion *versus* Ames, which is known as the "Lottery Case", the Court has virtually reversed its decision that insurance is not commerce.

Mr. Kingsley finds in the circumstances under which the Constitution was adopted and in the manner in which it has been interpreted by all three departments of the Government—especially by the Supreme Court—certain historical tendencies working for and securing certain national ideals. Among the subjects discussed are—

1. *The Currency.*—When the Government under the Constitution was organized it had neither revenues nor credit, and the States were but little better off. There was no national coinage, very few banks, and trade was almost paralyzed for want of a uniform and safe medium of exchange. Alexander Hamilton, the first Secretary of the Treasury, proposed and carried through the first Congress measures for funding the national debt, for assuming the debts of the States incurred in gaining independence, and for providing a revenue for the national government. As an agency in carrying out these measures there was chartered, against strong opposition, a United States Bank. Mr. Kingsley thus traces the steps which finally led to the present national currency.

The Constitution gives Congress power "to borrow money on the credit of the United States and to coin money and regulate the value thereof, and of foreign coin". The Constitution as a whole makes the United States a sovereign nation. Now, notice the links in the chain of reasoning. Congress has power to borrow money; therefore it may charter a bank as an aid in borrowing money, and a bank so chartered may be taxed by the States only in such a manner as Congress permits. Congress may borrow money, and the United States is a sovereign nation; therefore it may emit bills of credit and make them a legal tender. Congress has power to borrow money; therefore it may enact a national banking law authorizing banks thereunder to issue circulating notes based on the security of United States bonds deposited with the Government. Congress may borrow money; having under this power undertaken to supply the country with a stable cur-

rency, it may prevent the circulation as money of any notes not issued under its authority, *by taxing all other issues out of existence.* This was going a long way; but it was clearly one of the occasions when Congress found it necessary to "interfere", for the purpose of executing its general powers.

2. *Expansion.*—President Jefferson came into office as the head of the party of strict construction of the Constitution. The lower Mississippi and its mouth then belonged to Spain. It was the natural outlet for the commerce of States and Territories lying along its banks and the banks of tributary streams. The United States secured the "right of deposit" at New Orleans under a treaty, but when Spain sold the Louisiana country to France these States and Territories demanded a free outlet to the Gulf. Jefferson proposed and Congress authorized the purchase of the Island of Orleans and West Florida; but when Livingston and Monroe were treating for these Napoleon offered to sell the whole province of Louisiana, and the American envoys closed the bargain at once. Jefferson himself thought he had done "an act outside the Constitution" in signing the treaty and privately proposed to his Cabinet an amendment to the Constitution to legalize the transaction. But his friends urged him to keep his doubts to himself, saying the power of the Federal Government to make treaties covered the case. This view was afterward confirmed by the Supreme Court. Under this power the Federal Government has since acquired Florida, Oregon, Washington, Idaho, Texas, California, Nevada, part of Colorado, Utah, Arizona, New Mexico, Alaska, Hawaii, the Philippines, Guam, and Porto Rico.

3. *The "Monroe Doctrine".*—This has no other constitutional standing than this: the Constitution made the United States a sovereign nation with certain ideals to be pursued, and with which further foreign aggressions on this continent would interfere. That we might be strong to repel such aggression we long sought a naval base in Caribbean waters, which we finally secured in the acquisition of Porto Rico, and in order more easily to defend both our eastern and our western coasts we acquired control over a part of the Isthmus of Panama, and are now constructing at great expense a canal to connect the waters of the Atlantic and the Pacific.

4. *Control of the Public Lands.*—Under the Confederation several of the States ceded to the General Government their claims to unorganized western lands, and the possession of these became a strong bond of union on the one hand and of controversy on the other. From these lands new States were created; the sale of public lands brought in large revenues; and over one hundred million acres have been given away for educational purposes. The word education does not occur in the Constitution, but homes and education are among the cherished ideals of the Republic. Congress was given power to make all needful rules and regulations respecting the territory and other property of the United States, and from these few words have been deduced authority to govern territory belonging to the United States and absolute control of the public lands.

It was the exercise of this power in the territories with respect to slavery—or the election of a President by a party pledged to a certain course with respect to slavery in the territories—that brought on the Civil War. Disunion had been threatened a hundred times before, but never seriously attempted, and the great

question was whether our dual form of government—local self-government by the States and a Federal Government supreme in matters delegated to it by the Constitution—could endure.

5. *Commerce.*—There was nothing the States gave up control over with greater reluctance than over interstate and foreign commerce. But this was seen to be necessary if anarchy was to be avoided. The question soon arose, "What is Commerce?" One of the most far-reaching and often-quoted decisions on this subject was made by Chief Justice Marshall in the case Gibbons *versus* Ogden. Other decisions have followed until commerce, from a legal standpoint, includes all the means, subjects and instrumentalities of commercial intercourse. When steam came into use, when the electric telegraph came into use, when the telephone came into use—between States—when rivers between States were bridged or navigated, the commerce clause of the Constitution was made to cover them all. The Federal Government has sometimes failed to act until it was found that the States could not separately afford proper control. This was notably true of interstate commerce by means of railroads, the Interstate Commerce Act, under which the Interstate Commerce Commission now exercises so great control, having been passed in 1887—almost a century after the adoption of the Constitution.

President Kingsley's view is that in all these cases the Federal authority has been gradually extended, not by usurpation but by legitimate interpretation of the powers granted under the Constitution for the general good; and that as circumstances have changed, new applications of principles have been made by the Supreme Court which have, in some cases literally, and in others, practically, reversed previous decisions. The case in which Mr. Kingsley claims that former decisions with respect to insurance have been reversed is that of Champion *versus* Ames, or as it is better known—the "Lottery Case". In the early history of the country lotteries were popular means of raising money for charity, for government, and even for churches, but they gradually came into disrepute. States passed laws against them as local affairs, the United States forbade their use of the mails. Then foreign lottery tickets were brought in and sent by express or carried on the person. In 1895 Congress passed "An Act for the Suppression of Lottery Traffic through *National and Interstate Commerce* and the Postal Service, subject to the Jurisdiction and Laws of the United States".

The case of Champion *versus* Ames arose under this law and was decided in 1903. Counsel for the lottery people based their argument largely upon the fact that the Court had previously held a State law punishing traffic in lottery tickets from outside the State to be valid—hence such traffic was not commerce. The decisions to the effect that insurance was not commerce were also cited, with the argument that lottery tickets were like insurance policies in this, that their value depended upon chance. The Court did not refute the contention that lottery was like insurance, but it decided that the carriage of lottery tickets between States was interstate commerce, and that the power to regulate was so complete as to include the power to destroy.

If interstate insurance is interstate commerce, then it may be regulated by the Federal Government and not by State Governments. The only way to get a decision on the question raised is for Congress to pass a law regulating interstate insurance and let it be brought before the Supreme Court for adjudication.

APPENDIX.

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COMPOUND INTEREST TABLE

ONE DOLLAR PRINCIPAL

The sum to which One Dollar Principal will increase, at Compound Interest, in any number of years, not exceeding Forty, at 3, 3½, 4, 4½ and 5 per cent. per annum.

Years	3 Per Cent.	3½ Per Cent.	4 Per Cent.	4½ Per Cent.	5 Per Cent.
1	1.030	1.035	1.040	1.045	1.050
2	1.061	1.071	1.082	1.092	1.103
3	1.093	1.109	1.125	1.141	1.158
4	1.126	1.148	1.170	1.193	1.216
5	1.159	1.188	1.217	1.246	1.276
6	1.194	1.229	1.265	1.302	1.340
7	1.230	1.272	1.316	1.361	1.407
8	1.267	1.317	1.369	1.422	1.477
9	1.305	1.363	1.423	1.486	1.551
10	1.344	1.411	1.480	1.553	1.629
11	1.384	1.460	1.539	1.623	1.710
12	1.426	1.511	1.601	1.696	1.796
13	1.469	1.564	1.665	1.772	1.886
14	1.513	1.619	1.732	1.852	1.980
15	1.558	1.675	1.801	1.935	2.079
16	1.605	1.734	1.873	2.022	2.183
17	1.653	1.795	1.948	2.113	2.292
18	1.702	1.857	2.026	2.208	2.407
19	1.754	1.923	2.107	2.308	2.527
20	1.806	1.990	2.191	2.412	2.653
21	1.860	2.059	2.279	2.520	2.786
22	1.916	2.132	2.370	2.634	2.925
23	1.974	2.206	2.465	2.752	3.072
24	2.033	2.283	2.563	2.876	3.225
25	2.094	2.363	2.666	3.005	3.386
26	2.157	2.446	2.772	3.141	3.556
27	2.221	2.532	2.883	3.282	3.733
28	2.288	2.620	2.999	3.430	3.920
29	2.357	2.712	3.119	3.584	4.116
30	2.427	2.807	3.243	3.745	4.322
31	2.500	2.905	3.373	3.914	4.538
32	2.575	3.007	3.508	4.090	4.765
33	2.652	3.112	3.648	4.274	5.003
34	2.732	3.221	3.794	4.466	5.253
35	2.814	3.334	3.946	4.667	5.516
36	2.898	3.450	4.104	4.877	5.792
37	2.985	3.571	4.268	5.097	6.081
38	3.075	3.696	4.439	5.326	6.385
39	3.167	3.825	4.616	5.566	6.705
40	3.262	3.959	4.801	5.816	7.040

To find the sum to which a given amount will increase, at compound interest, at any of the rates per cent. and number of years expressed in the above Table:

Multiply the given amount by the sum to which one dollar will increase at the rate and for the number of years required, marking off as many decimals from the product as there are decimals in the multiplier and multiplicand.

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COMPOUND INTEREST TABLE

ONE DOLLAR PER ANNUM IN ADVANCE

The sum to which One Dollar per Annum, paid at the beginning of each year, will increase at Compound Interest, in any number of years not exceeding Forty, at 3, 3½, 4, 4½ and 5 per cent. per annum.

Years	3 Per Cent.	3½ Per Cent.	4 Per Cent.	4½ Per Cent.	5 Per Cent.
1	1.030	1.035	1.040	1.045	1.050
2	2.091	2.106	2.122	2.137	2.153
3	3.184	3.215	3.246	3.278	3.310
4	4.309	4.362	4.416	4.471	4.526
5	5.468	5.550	5.633	5.717	5.802
6	6.662	6.779	6.898	7.019	7.142
7	7.892	8.052	8.214	8.380	8.549
8	9.159	9.369	9.583	9.802	10.027
9	10.464	10.731	11.006	11.288	11.578
10	11.808	12.142	12.486	12.841	13.207
11	13.192	13.602	14.026	14.464	14.917
12	14.618	15.113	15.627	16.160	16.713
13	16.086	16.677	17.292	17.932	18.599
14	17.599	18.296	19.024	19.784	20.579
15	19.157	19.971	20.825	21.719	22.657
16	20.762	21.705	22.698	23.742	24.810
17	22.414	23.500	24.645	25.855	27.132
18	24.117	25.357	26.671	28.064	29.539
19	25.870	27.280	28.778	30.371	32.066
20	27.676	29.269	30.969	32.783	34.719
21	29.537	31.329	33.248	35.303	37.505
22	31.453	33.460	35.618	37.937	40.430
23	33.426	35.667	38.083	40.689	43.502
24	35.459	37.950	40.646	43.565	46.727
25	37.553	40.313	43.312	46.571	50.113
26	39.710	42.759	46.084	49.711	53.669
27	41.931	45.291	48.968	52.993	57.403
28	44.219	47.911	51.966	56.423	61.323
29	46.575	50.623	55.085	60.007	65.439
30	49.003	53.429	58.328	63.752	69.761
31	51.503	56.335	61.701	67.666	74.299
32	54.078	59.341	65.210	71.756	79.064
33	56.730	62.453	68.858	76.030	84.067
34	59.462	65.674	72.652	80.497	89.320
35	62.276	69.008	76.598	85.164	94.836
36	65.174	72.458	80.702	90.011	100.628
37	68.159	76.029	84.970	95.138	106.710
38	71.234	79.725	89.409	100.464	113.095
39	74.401	83.550	94.026	106.030	119.800
40	77.663	87.510	98.827	111.847	126.840

To find the sum to which a given amount *per annum* will increase, at compound interest, at any of the rates per cent. and number of years expressed in the above Table:

Multiply the given amount per annum by the sum to which one dollar per annum will increase at the rate and for the number of years required, marking off as many decimals from the product as there are decimals in the multiplier and multiplicand.

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COMPOUND DISCOUNT TABLE

ONE DOLLAR PRINCIPAL

The present value of One Dollar to be received at the end of any number of years, not exceeding Forty, discounting at the rates of 3, $3\frac{1}{2}$, 4, $4\frac{1}{2}$ and 5 per cent. Compound Interest.

Years	3 Per Cent.	3½ Per Cent.	4 Per Cent.	4½ Per Cent.	5 Per Cent.
1	.9709	.9662	.9615	.9569	.9524
2	.9426	.9335	.9246	.9157	.9070
3	.9151	.9019	.8890	.8763	.8638
4	.8885	.8714	.8548	.8386	.8227
5	.8626	.8420	.8219	.8025	.7835
6	.8375	.8135	.7903	.7679	.7462
7	.8131	.7860	.7599	.7348	.7107
8	.7894	.7594	.7307	.7032	.6768
9	.7664	.7337	.7026	.6729	.6446
10	.7441	.7089	.6756	.6439	.6139
11	.7224	.6850	.6496	.6162	.5847
12	.7014	.6618	.6246	.5897	.5568
13	.6810	.6394	.6006	.5643	.5303
14	.6611	.6178	.5775	.5400	.5051
15	.6419	.5969	.5553	.5167	.4810
16	.6232	.5767	.5339	.4945	.4581
17	.6050	.5572	.5134	.4732	.4363
18	.5874	.5384	.4936	.4528	.4155
19	.5703	.5202	.4746	.4333	.3957
20	.5537	.5026	.4564	.4146	.3769
21	.5375	.4856	.4388	.3968	.3589
22	.5219	.4692	.4220	.3797	.3418
23	.5067	.4533	.4057	.3633	.3256
24	.4919	.4380	.3901	.3477	.3101
25	.4776	.4232	.3751	.3327	.2953
26	.4637	.4088	.3607	.3184	.2812
27	.4502	.3950	.3468	.3047	.2678
28	.4371	.3817	.3335	.2916	.2551
29	.4243	.3688	.3207	.2790	.2429
30	.4120	.3563	.3083	.2670	.2314
31	.4000	.3442	.2965	.2555	.2204
32	.3883	.3326	.2851	.2445	.2099
33	.3770	.3213	.2741	.2340	.1999
34	.3660	.3105	.2636	.2239	.1904
35	.3554	.3000	.2534	.2143	.1813
36	.3450	.2898	.2437	.2050	.1727
37	.3350	.2800	.2343	.1962	.1644
38	.3252	.2706	.2253	.1877	.1566
39	.3158	.2614	.2166	.1797	.1491
40	.3066	.2526	.2083	.1719	.1420

To find the present value of a given amount to be received at the end of any number of years not exceeding Forty at any of the rates of compound discount expressed in the above Table:

Multiply the given amount by the present value of one dollar at the rate and for the number of years required, marking off as many decimals from the product as there are decimals in the multiplier and multiplicand.

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COMPOUND DISCOUNT TABLE

ONE DOLLAR PER ANNUM

The present value of an Annuity of One Dollar (Annuity payable at the end of each year), for any number of years not exceeding Forty, discounting at the rates of 3, $3\frac{1}{2}$, 4, $4\frac{1}{2}$, and 5 per cent. Compound Interest.

Years	3 Per Cent	3½ Per Cent.	4 Per Cent.	4½ Per Cent.	5 Per Cent.
1	.971	.966	.962	.957	.952
2	1.913	1.900	1.886	1.873	1.859
3	2.829	2.802	2.775	2.749	2.723
4	3.717	3.673	3.630	3.588	3.546
5	4.580	4.515	4.452	4.390	4.329
6	5.417	5.329	5.242	5.158	5.076
7	6.230	6.115	6.002	5.893	5.786
8	7.020	6.874	6.733	6.596	6.463
9	7.786	7.608	7.435	7.269	7.108
10	8.530	8.317	8.111	7.913	7.722
11	9.253	9.002	8.760	8.529	8.306
12	9.954	9.663	9.385	9.119	8.863
13	10.635	10.303	9.986	9.683	9.394
14	11.296	10.921	10.563	10.223	9.899
15	11.938	11.517	11.118	10.740	10.380
16	12.561	12.094	11.652	11.234	10.838
17	13.166	12.651	12.166	11.707	11.274
18	13.754	13.190	12.659	12.160	11.690
19	14.324	13.710	13.134	12.593	12.085
20	14.877	14.212	13.590	13.008	12.462
21	15.415	14.698	14.029	13.405	12.821
22	15.937	15.167	14.451	13.784	13.163
23	16.444	15.620	14.857	14.148	13.489
24	16.936	16.058	15.247	14.495	13.799
25	17.413	16.482	15.622	14.828	14.094
26	17.877	16.890	15.983	15.147	14.375
27	18.327	17.285	16.330	15.451	14.643
28	18.764	17.667	16.663	15.743	14.898
29	19.188	18.036	16.984	16.022	15.141
30	19.600	18.392	17.292	16.289	15.372
31	20.000	18.736	17.588	16.544	15.593
32	20.389	19.069	17.874	16.789	15.803
33	20.766	19.390	18.148	17.023	16.003
34	21.132	19.701	18.411	17.247	16.193
35	21.487	20.001	18.665	17.461	16.374
36	21.832	20.291	18.908	17.666	16.547
37	22.167	20.571	19.143	17.862	16.711
38	22.492	20.841	19.368	18.050	16.868
39	22.808	21.103	19.584	18.230	17.017
40	23.115	21.355	19.793	18.402	17.159

To find the present value of a given amount to be received at the end of each year, during any number of years from One to Forty, at any of the rates of compound discount expressed in the above Table:

Multiply the given sum to be received at the end of each year by the present value of one dollar per annum, at the rate and for the number of years required, marking off as many decimals from the product as there are decimals in the multiplier and multiplicand.

Note.—In these tables the decimal is only carried out to four places, the nearest whole number being used for the last figure. We have usually used a longer one in the text; but where a large number of calculations are combined the shorter ones would prove approximately correct. The second table shows the present value of one dollar per year without reference to the expiration of human life.

TABLE showing the Net Premiums Paid, the Interest Received, the Death-Claims Paid and the Reserve Fund on hand at the end of each year, for 81,822 Persons Insuring for $1,000 each at age 35—according to the American Table of Mortality with interest at three per cent. per annum.

Net Annual Premium used,—$21.08236 to age 86, $21.081 age 87 to 92, $21.08 age 93 to end.

Age	Number Surviving	Number of Deaths	Premiums	Interest	Total Income	Death Claims	Reserve Fund end of each year	Reserve per $1,000 of Insurance
35	81,822	732	$1,724,908.89	$51,747.27	$1,776,656.16	$732,000	$1,044,656.16	$12.88
36	81,090	737	1,709,477.43	82,624.01	1,792,101.44	737,000	2,099,757.60	26.13
37	80,353	742	1,693,940.56	113,810.94	1,807,751.50	742,000	3,165,509.10	39.76
38	79,611	749	1,678,298.28	145,314.22	1,823,612.50	749,000	4,240,121.60	53.77
39	78,862	756	1,662,508.43	177,078.90	1,839,587.33	756,000	5,323,708.93	68.16
40	78,106	765	1,646,571.02	209,108.40	1,855,679.42	765,000	6,414,388.35	82.94
41	77,341	774	1,630,443.87	241,344.97	1,871,788.84	774,000	7,512,177.19	98.11
42	76,567	785	1,614,127.00	273,789.13	1,887,916.13	785,000	8,615,093.32	113.68
43	75,782	797	1,597,578.23	306,380.15	1,903,958.38	797,000	9,722,051.70	129.65
44	74,985	812	1,580,776.48	339,084.85	1,919,861.33	812,000	10,829,913.03	146.01
45	74,173	828	1,563,658.52	371,807.15	1,935,465.67	828,000	11,937,378.70	162.76
46	73,345	848	1,546,203.25	404,507.46	1,950,710.71	848,000	13,040,089.41	179.87
47	72,497	870	1,528,326.37	437,052.47	1,965,378.84	870,000	14,135,468.25	197.35
48	71,627	896	1,509,985.69	469,363.62	1,979,349.31	896,000	15,218,817.56	215.16
49	70,731	927	1,491,096.90	501,297.43	1,992,394.33	927,000	16,284,211.89	233.28
50	69,804	962	1,471,554.60	532,672.99	2,004,227.59	962,000	17,326,439.48	251.68
51	68,842	1,001	1,451,274.45	563,331.42	2,014,605.87	1,001,000	18,340,045.35	270.34
52	67,841	1,044	1,430,172.13	593,106.52	2,023,278.65	1,044,000	19,319,324.00	289.22
53	66,797	1,091	1,408,163.32	621,824.62	2,029,987.94	1,091,000	20,258,311.94	308.32
54	65,706	1,143	1,385,163.69	649,304.27	2,034,467.96	1,143,000	21,149,779.90	327.58
55	64,563	1,199	1,361,067.84	675,325.43	2,036,393.27	1,199,000	21,987,173.17	347.00
56	63,364	1,260	1,335,791.44	699,688.94	2,035,480.38	1,260,000	22,762,653.55	366.52
57	62,104	1,325	1,309,229.08	722,156.48	2,031,385.56	1,325,000	23,469,039.11	386.14
58	60,779	1,394	1,281,296.44	742,510.07	2,023,806.51	1,394,000	24,098,845.62	405.81
59	59,385	1,468	1,251,909.20	760,522.64	2,012,431.84	1,468,000	24,643,277.46	425.49
60	57,917	1,546	1,220,961.95	775,927.18	1,996,889.13	1,546,000	25,094,166.59	445.16
61	56,371	1,628	1,188,370.35	788,476.11	1,976,846.46	1,628,000	25,443,013.05	464.77
62	54,743	1,713	1,154,050.10	797,911.89	1,951,961.99	1,713,000	25,681,975.04	484.29
63	53,030	1,800	1,117,937.95	803,997.39	1,921,935.34	1,800,000	25,803,910.38	503.69
64	51,230	1,889	1,079,991.72	806,517.06	1,886,508.78	1,889,000	25,801,419.16	522.92
65	49,341	1,980	1,040,169.27	805,247.65	1,845,416.92	1,980,000	25,666,836.08	541.94
66	47,361	2,070	998,428.42	799,957.94	1,798,386.36	2,070,000	25,395,222.44	560.71
67	45,291	2,158	954,790.26	790,500.38	1,745,290.64	2,158,000	24,982,513.08	579.20
68	43,133	2,243	909,296.95	776,754.30	1,686,051.25	2,243,000	24,425,564.33	597.35
69	40,890	2,321	862,011.74	758,627.28	1,620,639.02	2,321,000	23,725,203.35	615.14
70	38,569	2,391	813,082.19	736,148.57	1,549,230.76	2,391,000	22,883,434.11	632.52
71	36,178	2,448	762,676.96	709,383.33	1,472,060.29	2,448,000	21,907,494.40	649.50
72	33,730	2,487	711,070.09	678,556.93	1,389,627.02	2,487,000	20,810,121.42	666.07
73	31,243	2,505	658,641.06	644,062.87	1,302,703.93	2,505,000	19,607,825.35	682.30
74	28,738	2,501	605,832.56	606,409.74	1,212,242.30	2,501,000	18,319,067.65	698.21
75	26,237	2,476	553,108.39	566,165.28	1,119,273.67	2,476,000	16,962,341.32	713.87
76	23,761	2,431	500,911.25	523,897.58	1,024,808.83	2,431,000	15,556,150.15	729.31
77	21,330	2,369	449,662.76	480,174.39	929,837.15	2,369,000	14,116,987.30	744.53
78	18,961	2,291	399,721.32	435,501.26	835,222.58	2,291,000	12,661,209.88	759.52
79	16,670	2,196	351,424.20	390,379.02	741,803.22	2,196,000	11,207,013.10	774.29
80	14,474	2,091	305,129.81	345,364.29	650,494.10	2,091,000	9,766,507.20	788.70
81	12,383	1,964	261,048.95	300,826.68	561,875.63	1,964,000	8,364,382.83	802.80
82	10,419	1,816	219,645.40	257,520.85	477,166.25	1,816,000	7,025,549.08	816.64
83	8,603	1,648	181,361.87	216,207.33	397,569.20	1,648,000	5,775,118.28	830.35
84	6,955	1,470	146,620.01	177,652.15	324,272.16	1,470,000	4,629,390.44	844.01
85	5,485	1,292	115,630.58	142,350.63	257,981.21	1,292,000	3,595,371.65	857.47
86	4,193	1,114	88,392.48	110,512.92	198,905.40	1,114,000	2,680,277.05	870.50
87	3,079	933	64,908.40	82,355.56	147,263.96	933,000	1,894,541.01	882.82
88	2,146	744	45,239.83	58,193.43	103,433.26	744,000	1,253,974.27	894.42
89	1,402	555	29,555.56	38,505.90	68,061.46	555,000	767,035.73	905.59
90	847	385	17,855.61	23,546.74	41,402.35	385,000	423,438.08	916.53
91	462	246	9,739.42	12,995.33	22,734.75	246,000	200,172.83	926.73
92	216	137	4,553.50	6,141.79	10,695.29	137,000	73,868.12	935.04
93	79	58	1,665.32	2,266.00	3,931.32	58,000	19,799.44	942.8[illegible]
94	21	18	442.68	607.26	1,049.94	18,000	2,849.38	949.7[illegible]
95	3	3	63.24	87.38	150.62	3,000	00.00	1,000.00

NET EFFECTIVE RATES OF INTEREST, 1908.

A. DERIVED FROM COMPANY'S ENTIRE FUNDS.

	DEC. 31, 1907. Liability No.	DEC. 31, 1907. Amount.	DEC. 31, 1908. Liability No.	DEC. 31, 1908. Amount
I. Mean amount of Funds drawing Interest:				
Entire Assets, on basis of Company's Book Values	......	$516,762,763	....	$559,422,543
(a) Liabilities not required to bear interest:				
1. Surrender Values unsettled..	10	$257,562	10	$267,687
2. Policy Claims unsettled.......	17	3,094,070	17	3,355,971
3. Unpaid on supplementary contracts not involving life contingencies	18	0	18	199
4. Interest in advance	20	1,599,730	21	1,950,243
5. Commissions due to agents...	21/22	65,448	22/23	59,160
6. Accrued Expenses	24/26	105,695	25/26	190,150
7. Accrued Taxes			27	762,674
8. Due agents under NYLIC contracts	......	....	41	26,770
9. Reserve for death-claims not yet reported at Home Office..	......	....	40	500,000
10. Dividends unpaid	30	439,721	31	412,618
		$5,562,226		$7,525,472
(b) Liabilities normally drawing interest:				
1. Policy Reserve	8	$432,872,357	8	$459,209,411
2. Trust Funds	9	2,099,624	9	2,319,830
3. Premiums paid in advance....	19	712,149	20	812,888
4. Additional Policy Reserve	34	2,791,558	35	3,129,402
5. Interim Accumulation Fund..	33	35,863,716	34	67,181,561
6. Contingency Funds, on basis of Assets admitted by Insurance Department of New York	34	8,306,240	35	8,946,843
7. "Latent Fund for Contingencies and Dividends", on basis of Company's Book Values...	......	22,353,955	....	2,135,872
8. Dividends	31/32	6,200,938	32/33	7,602,905
9. Dividends left with Company to accumulate at interest.....	......	....	19	1,278
10. Reserve for NYLIC contracts.	......	....	42	557,081
		$511,200,537		$551,897,071
Total of (a) and (b)..................	......	516,762,763		559,422,543
Funds represented by Liabilities normally drawing interest (b)	......	$511,200,537	....	$551,897,071
Mean amount of Funds represented by Liabilities normally drawing interest	......	....	.$531,548,804	
II. Net Income from Interest, Rents and Profits:				
Interest and Rents due and accrued Dec. 31	......	$5,593,353	....	$6,062,847
Deduct interest paid in advance....	......	1,599,730	....	1,950,243
		$3,993,623		$4,112,604
Increase in net Interest and Rents due and accrued..................	......	....	118,981	
Interest and Rent received in 1908, after deduction of miscellaneous interest payments ($8,378)........	......	....	23,343,809	
Net profit on sale or maturity of ledger assets	......	....	27,188	
Other profits (Items 32 and 34 and 35 of Income)		....	96,185	
			$23,586,163	

	DEC. 31, 1907. Amount.		DEC. 31, 1908. Amount.
Deduct:			
Taxes on Real Estate	168,698		
Expenses on Real Estate	296,507		
Income Tax on Interest Receipts	17,640		
Expenses involved in general care of investments, and in care of all policies (including paid-up policies) in respects which have no reference to premiums received, and which may therefore be properly considered a charge in proportion to the policy reserve: 3/16% of the mean invested assets; i. e., 3/16% of $523,214,913 (consisting of the mean "total ledger assets"; less the mean (1) of cash in Company's office, (2) of cash in Company's Branch Offices, (3) of cash in banks not on interest, and (4) of Branch Office balances)	981,028		
Net decrease in Book Value of ledger assets	45,744		
Doubtful debts marked off ($19,881, plus $899 included in item 14 of Disbursements)	20,780		
Exchange	60,330	1,590,727	$21,995,436
III. Divisor for calculation of Net Effective Rate of Interest:			
Mean amount of Funds drawing interest (see I above)	....	....	$531,548,804
Deduct ½ of net income (under II) from Interest, Rents and Profits.	....	....	10,997,718
Divisor for calculation of Net Effective Rate of Interest	....	....	$520,551,086

IV. Net Effective Rate of Interest is equal to II divided by III; or $21,995,436 ÷ $520,551,086 = **4.225%**. This rate, derived from the Company's entire Funds, is applicable to Gain and Loss Accounts of insurances in the Company's several classes of participation in profits, where such insurances, of the same mode of participation in profits, were issued both in and outside the territory subject to the French Insurance Law of March 17, 1905.

B. DERIVED FROM COMPANY'S FUNDS EXCLUSIVE OF FRENCH INVESTMENTS [FRENCH BONDS].

I. Net Income from Interest, Rents and Profits:		
Amount of Item A II above		$21,995,436
Deduct one year's gross effective interest on French Bonds, 3.3089% of $5,993,475	$198,317	
Less 3/16% of $5,993,475	11,238	187,079
		$21,808,357
II. Divisor for calculation of Net Effective Rate of Interest:		
Amount of Item A III above		$520,551,086
Deduct book value of French Investments [French Bonds] forming part of the Company's deposit as at June 30, 1908, under the provisions of the French Law of March 17, 1905		5,993,475
		$514,557,611

III. Net Effective Rate of Interest is equal to I divided by II; or, $21,808,357 ÷ $514,557,611 = **4.238%**. This rate derived from the Company's Funds exclusive of French Investments [French Bonds], is applicable (1) to Gain and Loss Accounts of insurances of the Company's several classes of participation in profits where all insurances of the same mode of participation in profits were issued exclusively outside the territory subject to the French Insurance Law of March 17, 1905; and (2) to each and every individual policy issued outside the French territory.

C. DERIVED FROM DEPOSIT WITH FRENCH GOVERNMENT, PER RESOLUTION* OF BOARD OF TRUSTEES, DECEMBER 9, 1908.

I. Amounts taken for the present interest-rate calculation, as representing the status June 30, 1908, of the Company's deposit with the French Government:	Book Values
French Investments [French Bonds]	$5,993,475
American Securities	18,699,088
Policy Loans outstanding	2,115,676
Real Estate	1,300,000
	$28,108,239
II. Net Effective Interest taken for the calendar year 1908:	
One year's gross effective interest on French Bonds, 3.3089% of $5,993,475..	$198,317
Deduct 3/16% of $5,993,475	11,238
	$187,079
Net Effective Interest on remainder of the deposit, 4.238% of $22,114,764....	937,224
	$1,124,303

III. Net Effective Rate of Interest is equal to II ÷ I; or, $1,124,303 ÷ $28,108,239 = 4.00%. This rate, derived from deposit with the French Government, per Resolution of the Board of Trustees December 9, 1908, is applicable to all insurances issued within the territory subject to the French Insurance Law of March 17, 1905.

*Resolved, further—in view of the opinion * * * that the new French Law creates and establishes a new class made up of the French and Algerian policy-holders giving to that class the benefit of any additional security created by the investments and deposits which must be made in compliance with the provisions of said law—that from the date of the deposit of the securities by the Company, pursuant to the requirements of the French Government, the participating policy-holders heretofore insured or hereafter to be insured in France and Algeria shall, as regards interest earnings only, be placed by the Officers of the Company in a Special Class to be known as the French Class; and in calculating the profits or dividends to be hereafter apportioned and paid to members of that class, the rate of interest used shall be the rate actually yielded by the investments forming the deposit under the provisions of the French Law, provided that until 1912, on that portion of the Company's reserves deposited with the French Government represented by American securities, by real estate and by policy loans, the interest rate used in calculating such dividends shall be the average interest rate on the Company's invested assets excluding the French Investments [French Bonds] already referred to.

ASSESSMENT OF EXPENSES, 1908.

(Without deduction of Re-Insurance Premiums or Commissions.)

A. PRELIMINARY CALCULATION FOR GAIN AND LOSS ACCOUNTS OF DIVIDEND CLASSES.

I. Insurance Expenses chargeable to Annual Premiums, consisting of the following: Entire expenses, without deduction of reinsurance commissions, $5,985;—and excluding (1) Real Estate taxes and expenses, $465,205; (2) Income Tax on Interest Receipts, $17,640; (3) Gross loss on sale or maturity of ledger assets, $342; (4) Gross decrease in book value of ledger assets, $242,158; (5) Miscellaneous interest payments, $8,378; (6) Exchange, $60,330; (7) Doubtful debts marked off, $19,881, plus $899 included in Item 14 of Disbursements........		$10,017,102
Deduct.		
(a) Policy Fees	$30,539	
(b) 3/16% of mean invested assets (see calculation of effective rate of interest for 1908)........	981,028	
(c) Expense on annuities (five per cent. of $436,222 annuity considerations, and of $22,200, renewal premiums on deferred annuities)........	22,921	
(d) Expenses on single premiums (7½% of $36,371)...	2,728	1,037,216
		$8,979,886
II. First Year's Commissions and Bonuses (excluding commissions on annuities and on single premiums):		
(a) Commissions on first year's premiums........	$2,431,724	
(b) Bonuses	1,010	
(c) Commissions advanced	7,082	
(d) Salaries paid soliciting agents........	12,697	
	$2,452,513	

III. Physicians' Fees, $238,008; Bureau of Investigation, $62,690; Less Policy Fees, $30,539		270,159	
IV. Direct Acquisition Expenses (II + III)		$2,722,672	
V. Commissions on Renewal Premiums, $933,127; Collection Fees, $60,599; Commuted Renewal Commissions, $82,746.		1,076,472	
VI. General Expenses (I, less IV & V)		5,180,742	$8,979,886
VII. Premiums, 1st Year (Annual)		$5,388,485	
VIII. Premiums—Renewal with Commission, Renewal with Collection Fees, and Renewal without charge (not including renewal premiums on deferred annuities)		72,173,007	
IX. Entire Annual Premiums (VII + VIII)		....	$77,561,492
X. Expense ratio on 1st Year's premiums exclusively	(IV ÷ VII)....50.53%		
XI. Expense ratio on Renewal premiums exclusively	(V ÷ VIII).... 1.49%		
XII. Expense ratio on entire annual premiums	(VI ÷ IX).... 6.68%		
XIII. Entire ratio on 1st Year's premiums	(X + XII)....57.21%		
XIV. Entire ratio on Renewal premiums	(XI + XII).... 8.17%		

B. SPECIAL CALCULATION FOR CONTRIBUTION ANNUAL DIVIDEND RATES.

I. Adjusted Premiums.	On 1st Year's Premiums.	On Renewal Premiums.	Total.
1. Premiums received	$5,388,000	$72,173,000	
2. Ordinary Life element	4,229,000	50,837,000	
3. Adjusted Premiums, being the mean between 1 and 2	$4,808,000	$61,505,000	$66,313,000
II. Expenses: 1st Year; Renewal.			
1. Commissions: 1st Year; Renewal	$2,453,000	$1,076,000	
2. Other Expenses, exclusively 1st Year	270,000	....	
3. Total Expenses chargeable exclusively to 1st Year and to Renewal Premiums received, respectively	$2,723,000	$1,076,000	
III. General Expenses.	....	....	$5,181,000
IV. Expense Ratios.			
1. 1st Year and Renewal (II ÷ I)	56.63%	1.75%	
2. General Expenses (III ÷ I)	7.81%	7.81%	7.81%
3. Entire Expense Ratios chargeable to Adjusted 1st Year and Renewal Premiums, respectively	64.44%	9.56%	

TAXES PAID BY THE NEW-YORK LIFE INSURANCE COMPANY IN 1910.

Alabama.—Total taxes, $10,100.75 made up as follows: On premiums less dividends @ 2%, $9,101.92; State licenses $111; State fees $10; Agents' licenses, State $168; Local $639.02; Personal property tax $25.99; City premium tax $44.82.

Arizona.—Total taxes, $5,263.67, made up as follows: On premiums @ 2%, $5,087.87; Territorial license $5; Territorial fees $7.50; Agents' licenses, Territorial $132; Local $20; Personal property tax $11.30.

Arkansas.—Total taxes, $7,218.87, made up as follows: On premiums less losses, endowments and commissions @ 2½%, $7,092.12; State license $2; State fees $60; Agents' licenses, State $58; Personal property tax $6.75.

California.—Total taxes, $21,499.57 made up as follows: On premiums @ 1%, $19,728.23; State licenses $20; State fees $98.25; Agents' licenses, State $228; local $543; City premium tax $789.10; Personal property tax $92.99.

Colorado.—Total taxes, $14,209.65 made up as follows: On premiums @ 2%, $13,964.19; State license $5; State fees $61.80; Agents' licenses, State $134; Personal property tax $44.66.

Connecticut.—Total taxes, $5,569.72 made up as follows: On premiums less annual dividends @ 1%, $5,548.56; State license $10; State fees $10; Agents' licenses, State $1.16.

Delaware.—Total taxes, $1,570.15 made up as follows: On premiums @ 2%, $1,453.15; State license $27; State fees $15; Agents' licenses, State $75.

Dist. Columbia.—Total taxes, $3,700.37 made up as follows: On premiums less dividends @ 1½%, $3,549.79; District license $10; District fees $6; Agents' licenses, District $134.58.

Florida.—Total taxes, $10,075.42 made up as follows: On premiums @ 2%, $9,288.42; State license $200; State fees $10; Agents' licenses, State $295; Local $282.

Georgia.—Total taxes, $9,317.81 made up as follows: On premiums @ 1%, $7,323.91; State licenses $40.50; State fees $9.80; Agents' licenses, State $252; Local $907.20; City taxes on premiums $780.54; Personal property tax $3.86.

Idaho.—Total taxes, $3,426.49 made up as follows: On premiums less losses and endowments @ 2%, $3,221.49; State licenses $50; State fees $20; Agents' licenses, State $135.

Illinois.—Total taxes, $57,404.07 made up as follows: On premiums less annual dividends @ 1%, $56,630.51; State licenses $1; State fees $115; Agents' licenses, State $560; Personal property taxes $97.56.

Indiana.—Total taxes, $20,454.50 made up as follows: On premiums less death-losses @ 3%, $20,130.81; State licenses $5; State fees $75; Agents' licenses, State $207; Local $34.50; Personal property tax $2.19.

Iowa.—Total taxes, $21,872.23 made up as follows: On premiums @ 2½%, $21,676.96; State license $2; State fees $20; Agents' licenses, State $142; Personal property taxes $31.27.

Kansas.—Total taxes, $12,780.73 made up as follows: On premiums @ 2%, $12,454.59; State fees $100; Agents' licenses, State $114, Local $110.75; Personal property taxes $1.39.

Kentucky.—Total taxes, $16,695.26 made up as follows: On premiums @ 2 %, $15,743.51; State license $1.00; Agents' licenses, State, $220, Local $385.33; City premium tax $276.44; Personal property tax $68.98.

Louisiana.—Total taxes, $16,047.80 made up as follows: On premiums @ 6/10 of 1%, $7,740; State license $10; State fees $303.80; Agents' licenses, State $220, Local $352.40; City premium taxes $7,320; Personal property taxes $101.60.

Maine.—Total taxes, $4,617.37 made up as follows: On premiums @ 1½%, $4,492.57; State license $20; Agents' licenses, State $94; Personal property tax $10.80.

Maryland.—Total taxes, $11,244.44 made up as follows: On premiums @ 1½%, $10,642.83; State license $300; State fees $105.80; Agents' licenses, State $178; Personal property taxes $17.81.

Massachusetts.—Total taxes, $42,882.06 made up as follows: On reserve @ ¼ of 1%, $42,404.72; State fee $20; Agents' licenses, State $428; Personal property tax $29.34.

Michigan.—Total taxes, $20,703.67 made up as follows: On premiums @ 2%, $20,688.63; State fees $5; Personal property tax $10.04.

Minnesota.—Total taxes, $15,506.27 made up as follows: On premiums @ 2%, $15,153.83; State license $2; State fees $153.86; Agents' licenses, State $152; Personal property tax $44.58.

Mississippi.—Total taxes, $4,752.40 made up as follows: On premiums first-year @ 2% and on premiums-renewal of policies issued since March 5, 1902, @ 1/10 of 1%, $2,274.48; State licenses $250; State fees $26; Agents' licenses, State $1,386.92, Local $815.

Missouri.—Total taxes, $43,979.33 made up as follows: On premiums @ 2%, $43,112.11; State license, $1.00; State fees $40; Agents' licenses, State $354, Local $435.10; Personal property tax $37.12.

Montana.—Total taxes, $11,242.24 made up as follows: On premiums @ 2%, State $6,921.79; County @ 3.16%, $4,109.37; State fees $35; Agents' licenses, State $155, Local $13; Personal property tax $8.08.

Nebraska.—Total taxes, $8,811.79 made up as follows: On premiums @ 2%, $8,704.47; State license $2; State fees $26; Agents' licenses, State $68; Personal property tax $11.32.

Nevada.—Total taxes, $145.90 made up as follows: State license $100; State fees $20; Agents' licenses, Local $20; Personal property tax $5.90.

New Hampshire.—Total taxes, $3,073.67 made up as follows: On premiums less death-losses @ 2%, $3,033.67; State license $5; State fees $15; Agents' licenses, State $20.

New Jersey.—Total taxes, $7,791.02 made up as follows: On premiums less annual dividends @ 1%, $7,535.32; State fees $20; Agents' licenses, State $226; Personal property tax $9.70.

New Mexico.—Total taxes, $2,867.88 made up as follows: On premiums less dividends @ 2%, $2,806.88; Territorial license $2; Territorial fees $20; Agents' licenses, territorial $24, Local $15.

New York.—Total taxes, $119,819.08 made up as follows: On premiums less annual dividends @ 1%, $119,424.59; State fees $315; Agents' licenses, State $79.49.

North Carolina.—Total taxes, $9,447.59 made up as follows: On premiums @ 2½%, $9,119.59; State license $250; State fees $27; Agents' licenses, State $51.

North Dakota.—Total taxes, $9,324.43 made up as follows: On premiums @ 2½%, $8,908.69; State license $2; State fees $353.90; Agents' licenses, State $44; Personal property taxes $15.84.

Ohio.—Total taxes, $57,565.32 made up as follows: On premiums @ 2½%, $57,130.87; State license $2; State fees $134.18; Agents' licenses, State $277; Personal property tax $21.27.

Oklahoma.—Total taxes, $11,036.02 made up as follows: on premiums less dividends @ 2%, $10,771.02; State license $200; State fees $20; Agents' licenses, State $45.

Oregon.—Total taxes, $1,304.33 made up as follows: On premiums less dividends and policy claims @ 2%, $770.33; State license $100; State fees $29; Agents' licenses, State $365, Local $40.

Pennsylvania.—Total taxes, $85,012.14 made up as follows: On premiums @ 2%, $84,456.14; State license $2; State fees $20; Agents' licenses, State $468, Local $66.

Rhode Island.—Total taxes, $5,397.23 made up as follows: On premiums @ 2%, $5,320.52; State fees $34; Agents' licenses, State $36; Personal property tax $6.71.

South Carolina.—Total taxes, $23,288 made up as follows: State tax on premiums less dividends @ 2%, $8,117.38; County taxes (for 1907-1908 paid in 1910 under law since repealed) on premiums @ 1.53%, $14,085.58; State license $150; State fee $100; Agents' licenses, State $20.50, Local $807.50; Personal property tax $7.04.

South Dakota.—Total taxes, $5,473.56 made up as follows: On premiums @ 2½%, $5,227.06; State license $2; State fees $194.50; Agents' licenses, State $50.

Tennessee.—Total taxes, $18,134.88 made up as follows: On premiums less dividends used in reduction of premium-payments, @ 2½%, $17,544.88; State fees, $25; Agents' licenses $565.

Texas.—New-York Life Insurance Company is not transacting business in this State, on account of oppressive laws.

Utah.—Total taxes, $5,351.41 made up as follows: On premiums @ 1½% less State tax on personal property, $5,203.11; State license $5; State fees $65; Agents' licenses, State $58; Personal property tax $20.30.

Vermont.—Total taxes, $4,773.10 made up as follows: On premiums less dividends @ 2%, $4,650.10; State licenses $55; State fees $20; Agents' licenses $48.

Virginia.—Total taxes, $8,129.95 made up as follows: On premiums @ 1 1/10% $6,730.44; State licenses $76.67; Agents' licenses, State $79, Local $1,221.25; Local premium taxes $17.44; Personal property taxes $5.15.

Washington.—Total taxes, $15,549.93 made up as follows: On premiums, less dividends @ 2%, $15,129.22; State license $10; State fees $85; Agents' licenses, State $280; Personal property tax $45.71.

West Virginia.—Total taxes, $7,441.49 made up as follows: On premiums @ 2% $7,026.20; State license $10; State fees $20.75; Agents' licenses, State $270, Local $30.50; Local premium tax $84.04.

Wisconsin.—Total taxes, $10,287.96 made up as follows: On premiums less annual dividends @ 1%, $10,150.96; State fees $25; Agents' licenses, State $112.

Wyoming.—Total taxes, $4,315.77 made up as follows: On premiums @ 2½%, $4,248.47; State license $25; State fees $15.30; Agents' licenses $27.

Porto Rico, Hawaii, Philippines and Alaska.—Total taxes, $6,145.81.

United States.—Corporation Excise tax 1% of net income, $106,411.02.

Foreign Countries.—Total taxes, $144,928.67.

Total Taxes, licenses and fees, all countries, $1,073,962.79.

FROM THE LAWS OF NEW YORK.

Insurance Law.

§ 6. **Fees.**

Every corporation or person to whom this chapter shall be applicable shall pay the following fees to the superintendent, unless remitted by him. For filing the declaration and certified copy of charter required by law, thirty dollars. For filing the annual report required by law, twenty dollars. For each certificate of authority and certified copy thereof, and for each certificate of deposit, valuation or compliance, not exceeding five dollars. For every copy of any paper filed in his office, ten cents per folio; and for affixing the official seal on such copy and certifying the same, one dollar. All fees, perquisites and moneys received by the insurance department, or any officer thereof, from or on account of any insurance corporation, shall be paid into the state treasury monthly.

Source.—Former § 6, as amended by L. 1893, ch. 725.

§ 7. **Expenses of examinations.**

The expense of every examination or other investigation of the affairs of an insurance corporation, pursuant to the authority conferred by the provisions of this chapter, shall be borne and paid by the corporation so examined, unless remitted by the superintendent.

No charge shall be made for any examination of an insurance corporation by the superintendent or his deputy personally, or by one or more of the regular clerks of the department except for necessary traveling and other actual expenses. All charges for making any examination and all charges against an insurance corporation by an attorney or appraiser of the department shall be presented in the form of an itemized bill approved by the superintendent, audited by the comptroller, and paid on his warrant drawn in the usual manner on the state treasurer, to the person making the examination.

The corporation examined on receiving a certified copy of such bill so approved, audited and paid, shall repay the amount thereof to the superintendent of insurance, to be by him paid into the state treasury to replace the money drawn out as above provided. No insurance corporation, or any officer or director thereof, shall either directly or indirectly pay by way of gift, credit or otherwise, any sum of money or other valuable thing to the superintendent or any clerk or employe of the insurance department or any examiner for extra service or for purposes of legislation, or by way of a loan, or on any other pretense whatsoever.

Source.—Former § 7, as amended by L. 1898, ch. 171; L. 1906, ch. 326, and L. 1909, ch. 301. Amended by L. 1910, ch. 634.

§ 16. **Investment of capital and surplus.**

The cash capital of every domestic insurance corporation required to have a capital, to the extent of the minimum capital required by law, shall be invested and kept invested in the stocks or bonds of the United States or of this state, not estimated above their current market value, or in the bonds of a county or incorporated city in this state authorized to be issued by the legislature, not estimated above their par value or their current market value, or in bonds and mortgages on improved unencumbered real property in this state worth fifty per centum more than the amount loaned thereon. * * * The residue of the capital and the surplus money and funds of every domestic insurance corporation over and above its capital, and the deposit that it may be required to make with the superintendent, may be invested in or loaned on the pledge of any of the securities in which deposits are required to be invested or in the public stocks or bonds of any one of the United States, or in bonds and mortgages on improved unencumbered real property in this state worth fifty per centum more than the amount loaned thereon, or except as in this chapter otherwise provided, in the stocks, bonds or other evidence of indebtedness of any solvent institution incorporated under the laws of the United States or of any state thereof, or in such real estate as it is authorized by this chapter to hold; but no such funds shall be invested in or loaned on its own stock or the stock of any other insurance corporation carrying on the same kind of insurance business. Any domestic insurance corporation may, by the direction and consent of two-thirds of its board of directors, managers or finance committee, invest, by loan or otherwise, any such surplus moneys or funds in the bonds issued by any city, county, town, village or school district of this state, pursuant to any law of this state. * * * Every such domestic corporation doing business in other states of the United States or in foreign countries, may invest the funds required to meet its obliga-

tion incurred in such other states or foreign countries and in conformity to the laws thereof, in the same kind of securities in such other states or foreign countries that such corporation is by law allowed to invest in, in this state. Any life insurance company may lend a sum not exceeding the lawful reserve which it holds upon any policy, on the pledge to it of such policy and its accumulations as collateral security. But nothing in this section shall be held to authorize one insurance corporation to obtain, by purchase or otherwise, the control of any other insurance corporation.

Source.—Former § 16, as amended by L. 1893, chap. 112; L. 1895, chap. 917; L. 1897, chap. 218; L. 1906, chap. 326; L. 1907, chap. 239; L. 1909, chap. 240 and chap. 302. Amended by L. 1910, chap. 634.

§ 18. **Stocks, bonds and other evidences of debt.**

If any domestic insurance corporation shall have invested any of its funds in or loaned any of its funds upon the stock, bonds or other evidences of debt of other corporations or of any nation, state, county, city, town, village, school district, municipality, or other civil division of any state, pursuant to the laws of this state, and the superintendent shall have reason to believe that such stock, bonds or other evidences of debt are not amply secured or are not yielding an income he may direct it to report to him under oath the amount thereof, the security therefor and its market value. No stock and no bond or other evidence of debt if in default as to principal or interest, or if not amply secured, shall be valued as an asset of the corporation above its market value. All bonds or other evidences of debt held by any life insurance corporation authorized to do business in this state shall, if amply secured and if not in default as to principal or interest, be valued as follows: If purchased at par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield meantime the effective rate of interest at which the purchase was made; provided that the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase, and provided further that the superintendent of insurance shall have full discretion in determining the method of calculating values according to the foregoing rule, and the values found by him in accordance with such method shall be final and binding; provided, also, that any such corporation may return such bonds or other evidences of debt at their market value or their book value, but in no event at an aggregate value exceeding the aggregate of the values calculated according to the foregoing rule. The superintendent of insurance may, at any time, in his discretion, require any insurance corporation, other than a life insurance corporation, authorized to do business in this state to value its bonds or other evidences of debt in accordance with the foregoing rule.

Source.—Former § 18, as amended by L. 1909, chap. 301. Amended by L. 1910, chap. 634.

§ 20. **Restrictions as to real property.**

Every insurance corporation transacting business in this state may purchase, hold and convey real property only for the following purposes and in the following manner:

1. The building in which it has its principal office and the land upon which it stands.
2. Such as shall be requisite for its convenient accommodation in the transaction of its business.
3. Such as shall have been acquired for the accommodation of its business.
4. Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted or for moneys due.
5. Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings.
6. Such as shall have been purchased at sales upon judgments, decrees or mortgages obtained or made for such debts.
7. Such as shall have been acquired under sections thirteen and fourteen of the general corporation law.

All such real property specified in subdivisions three, four, five, six and seven of this section, as shall not be necessary for its accommodation in the convenient transaction of its business, shall be sold and disposed of within five years after it shall have acquired title to the same, or within five years after the same shall have ceased to be necessary for the accommodation of its business, and it shall not hold such property for a longer period unless it shall procure a certificate from the superintendent of insurance that its interests will suffer materially by the forced sale thereof, in which event the time for the same may be extended to such time as the superintendent shall direct in such certificate.

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No real property shall be acquired by any domestic life insurance corporation under subdivisions one or two hereof or under section fourteen of the general corpora-

tion law and no real property within the state shall be acquired by any foreign life insurance corporation under subdivision two hereof, except with the approval of the superintendent of insurance. No real property shall be disposed of by any domestic life insurance corporation and no real property within the state shall be disposed of by any foreign life insurance corporation, by exchange for other real property, wherever situated, as the consideration for the transfer in whole or part unless the acquisition of the latter shall be requisite for the convenient accommodation of the corporation in the transaction of its business and shall be approved by the superintendent.

Source.—Former § 20, as amended by L. 1906, chap. 326.

§ 36. **Officers and directors not to be pecuniarily interested in transactions.**

No director or officer of an insurance corporation doing business in this state shall receive any money or valuable thing for negotiating, procuring, recommending or aiding in, any purchase by or sale of such corporation of any property, or any loan from such corporation, nor be pecuniarily interested, either as principal, coprincipal, agent, or beneficiary, in any such purchase, sale or loan; provided that nothing herein contained shall prevent a life insurance corporation from making a loan upon a policy held therein by the borrower not in excess of the net value thereof.

Any person violating any provision of this section shall be guilty of a misdemeanor.

Source.—Former § 36 as amended by L. 1906, chap. 326.

§ 39. **Examiners and examinations.**

The Superintendent of insurance shall, as often as he deems it expedient, and, if a domestic life insurance corporation, at least once in three years, or, if any other domestic insurance corporation, association, society or order, at least once in five years, examine into the affairs of any insurance corporation doing business in this state, and into the affairs of any corporation organized under any law of this state or having an office in this state, which corporation is engaged in or is claiming or advertising that it is engaged in organizing or receiving subscriptions for or disposing of stock of, or in any manner aiding or taking part in the formation or business of, an insurance corporation or corporations, or which is holding the capital stock of one or more insurance corporations for the purpose of controlling the management thereof as voting trustee or otherwise. For such purpose he may appoint as examiners one or more competent persons not officers of or connected with or interested in any insurance corporation other than as policy holders; and upon such examination he, his deputy or any examiner authorized by him may examine under oath the officers and agents of such corporation and all persons deemed to have material information regarding the company's property or business. Every such corporation, its officers and agents, shall produce its books and all papers in its or their possession relating to its business or affairs, and any other person may be required to produce any book or paper in his custody deemed to be relevant to the examination, for the inspection of the superintendent, his deputies or examiners whenever required; and the officers and agents of such corporation shall facilitate such examination and aid the examiners in making the same so far as it is in their power to do so. Every such examiner shall make a full and true report of every examination made by him, verified by his oath, which shall comprise only facts appearing upon the books, papers, records or documents of such corporation, or ascertained from the testimony, sworn to, of its officers or agents or other persons examined under oath concerning its affairs, and such conclusions and recommendations as may reasonably be warranted from such facts so disclosed, and said report so verified shall be presumptive evidence in any action or proceeding in the name of the people against the corporation, its officers or agents, of the facts stated therein. The superintendent shall grant a hearing to the corporation examined before filing any such report; and may withhold any such report from public inspection for such time as he may deem proper and may, if he deems it for the interest of the public to do so, publish any such report or the result of any such examination as contained therein, in one or more newspapers of the state.

Source.—Former § 39, as amended by L. 1906, chap. 326. Amended by L. 1910, chap. 634.

§ 44. **Reports of corporations.**

Every corporation, engaged wholly or in part in the transaction of the business of insurance in this state, whether heretofore or hereafter incorporated by a general or special law, shall annually, on the first day of January, or within two months thereafter, if a corporation under article two of this chapter, and on or before the fifteenth day of February, if a corporation under the other articles of this chapter, file in the office of the superintendent of insurance a statement verified by the oath of at least two of the principal officers of such corporation, showing its condition on the thirty-first day of December then next preceding which shall be in such form and shall contain such

matters as the superintendent shall prescribe. If a foreign corporation incorporated under the laws of a state or country outside of the United States such oath may be made by the manager thereof within the United States.

The superintendent may also address any inquiries to any such insurance corporation or its officers in relation to its doings or condition, or any other matter connected with its transactions. Every corporation so addressed shall promptly and truthfully reply in writing to any such inquiries, and such reply shall be verified, if required by the superintendent, by such officer of the corporation as he shall designate.

Source.—Former § 44, as amended by L. 1897, chap. 493. Amended by L. 1910, chap. 634.

§ 45. **Forms of report to be furnished by superintendent.**

The superintendent shall cause to be prepared and furnished to every corporation required by the provisions of this chapter to report to him, printed forms of the reports and statements required of such corporations. He may make such changes from time to time in the form of the same as shall seem to him best adapted to elicit from such corporations a true exhibit of their condition in respect to the several matters which they are required to report, or in respect to any other matters which he may deem material. * * *

* * * In addition to any other penalty prescribed by law, every insurance corporation failing to make and file the reports and statements required by this chapter or to reply to any inquiry of the superintendent, shall forfeit to the people of the state five hundred dollars for the first offense, and an additional five hundred dollars for every month that such corporation shall thereafter continue to transact any business of insurance in this state.

Source.—Former § 46, as amended by L. 1906, chap. 326.

§ 50. **Agent's certificate of authority.** (See also § 91.)

No person or corporation shall act as agent for any foreign insurance corporation in the transaction of any business of insurance within this state, or negotiate for or place risks for any such corporation, or in any way or manner aid such corporation in effecting insurances or otherwise in this state, unless such corporation shall have fully complied with the provisions of this chapter. Every such agent shall, annually, on the first day of January, or within six months thereafter, procure a certificate of authority from the superintendent of insurance, who shall file in his office evidence of the issuance of such certificate to the agent aforesaid. Any person or corporation violating the provisions of this section shall forfeit to the people of the state the sum of five hundred dollars for the first offense, and an additional sum of one hundred dollars for each month during which any such person or corporation shall continue to act in violation of this section. This section shall not apply to the agents of corporations transacting business under the provisions of article six [relating to life or casualty corporations upon the cooperative or assessment plan] of this chapter.

Source.—Former § 50, as amended by L. 1893, chap. 725, and L. 1909, chap. 301.

§ 53. **General penalties.**

Any corporation or person violating any provision of this chapter, except where such violation constitutes a felony, shall in addition to any penalty otherwise prescribed for such violation, be guilty of a misdemeanor.

Source.—Former § 53, as amended by L. 1906, chap. 326.

§ 58. **Policy to contain the entire contract; statements of insured to be representations and not warranties.**

Every policy of insurance issued or delivered within the state on or after the first day of January, nineteen hundred and seven, by any life insurance corporation doing business within the state shall contain the entire contract between the parties and nothing shall be incorporated therein by reference to any constitution, by-laws, rules, application or other writings unless the same are endorsed upon or attached to the policy when issued; and all statements purporting to be made by the insured shall in the absence of fraud be deemed representations and not warranties. Any waiver of the provisions of this section shall be void.

Source.—Former § 58.

§ 59. **Certain provisions in policies prohibited.**

No corporation issuing policies of insurance upon the lives of persons, whether such corporation is a domestic one, existing under the laws of the state, or a foreign one which has become entitled to do business within the state, shall provide in any application, policy or certificate of insurance, that the person soliciting such insurance, or any person who is engaged in the business of soliciting insurance for the company issuing such policy, or certificate, and whose compensation is either paid by said com-

pany, or is contingent upon the issuing of such policy, is the agent of the person insured under said policy or certificate, or shall insert in said policy or certificate any provision to make the acts or representations of such person binding upon the person so insured under said policy or certificate.

Source.—Former § 59, as amended by L. 1906, chap. 326.

§ 60. **Estimates and misrepresentations prohibited.**

No life insurance corporation doing business in this state and no officer, director or agent thereof shall issue or circulate, or cause or permit to be issued or circulated, any estimate, illustration, circular or statement of any sort misrepresenting the terms of any policy issued by it or the benefits or advantages promised thereby, or the dividends or share of surplus to be received thereon, or shall use any name or title of any policy or class of policies misrepresenting the true nature thereof. Nor shall any such corporation or agent thereof make any misrepresentation to any person insured in another company for the purpose of inducing or tending to induce such person to lapse, forfeit, or surrender his said insurance. Any violation of this section shall constitute a misdemeanor, and it shall be the duty of the superintendent of insurance to revoke the license of the corporation or agent so offending.

Source.—Former § 60, as amended by L. 1908, chap. 347.

§ 83. **Distribution of surplus to policy-holders.**

Except as herein provided, every domestic life insurance corporation heretofore or hereafter organized, whether incorporated by special act or under a general statute, anything in its charter or certificate of incorporation or in such special act or general statute to the contrary notwithstanding, shall provide in every policy issued on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise. Upon the thirty-first day of December of each year, or as soon thereafter as may be practicable, every such corporation shall well and truly ascertain the surplus earned by such corporation during said year. After setting aside from such surplus such sums as may be required for the payment of authorized dividends upon the capital stock, if any, and such sums as may properly be held for account of existing deferred dividend policies, and for a contingency reserve not in excess of the amount prescribed in this article, every such corporation shall apportion the remaining surplus equitably to all other policies entitled to share therein. Except in the case of a term or an industrial policy, the share of surplus so apportioned in the case of a policy issued on or after the first day of January, nineteen hundred and seven shall, at the option of the owner of the policy, be payable in cash, or shall be applicable to the payment of any premium or premiums upon said policy or to the purchase of a paid-up addition thereto or shall be permitted to accumulate to the credit of the policy at such rate of interest as shall be allowed by the company, and with such interest shall be payable upon the maturity of the policy or shall be withdrawable in cash by the owner of the policy on any anniversary of the date of issue thereof. Such corporation may require the owner of the policy to elect the manner in which said dividends shall be applied as above provided by mailing a written notice of the amount of the said dividends and the options available as aforesaid in a sealed envelope in the manner required by the provisions of this chapter for notices of premium payments, and in case the owner shall fail to notify the company in writing of his election within three months after the date of the mailing of said notice, the surplus shall be applied by the company to the purchase of a paid-up addition to the sum insured. In the case of a term or industrial policy issued on or after the first day of January, nineteen hundred and seven the share of surplus so apportioned shall be payable to the owner of the policy in cash or shall be applicable to the payment of any premium or premiums upon said policy, or if so provided in the policy shall be permitted to accumulate to the credit of the policy at such rate of interest as shall be allowed by the company and in such case shall be payable upon the maturity or expiration of the policy or shall be withdrawable in cash by the holder of the policy on any anniversary of the date of issue thereof. The dividends declared as aforesaid in the case of a policy issued on or after the first day of January, nineteen hundred and seven, shall be payable respectively either upon the anniversary of the policy next after said thirty-first day of December or upon a day certain in the year following said date, according to the rules of the corporation or the terms of the policy, and upon the sole condition that the premium payments for the policy year current upon said thirty-first day of December shall have been completed.

This section shall not apply to any stock life insurance corporation which on or after the first day of January, nineteen hundred and seven, shall transact and shall represent itself as transacting its business exclusively upon a nonmutual basis and shall after said date issue only nonparticipating policies. Nor shall this section apply to paid-up or temporary and pure endowment insurance issued or granted in exchange for lapsed or surrendered policies. A foreign life insurance corporation which shall

not provide in every participating policy issued or delivered in this state on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise, and which shall not ascertain and distribute the surplus accruing upon said policies annually either by providing for their payment in cash or their application to the payment of premiums or to the purchase of paid-up additions or for their accumulation as above provided in the case of domestic corporations shall not be permitted to do business within this state.

Source.—Former § 83, as amended by L. 1906, chap. 326.

§ 84. **Valuation of policies.**

The superintendent of insurance shall annually make valuations of all outstanding policies, additions thereto, unpaid dividends, and all other obligations of every life insurance corporation doing business in this state. All valuations made by him or by his authority shall be made upon the net premium basis. The legal minimum standard for contracts issued before the first day of January, nineteen hundred and one, shall be the actuaries' or combined experience table of mortality with interest at four per centum per annum, and for contracts issued on or after said day shall be the American experience table of mortality with interest at three and one-half per centum per annum; provided that the legal minimum valuation of all contracts issued on or after the first day of January, nineteen hundred and seven, shall be in accordance with the select and ultimate method, and on the basis that the rate of mortality during the first five years after the issuance of said contracts respectively shall be calculated according to the following percentages of the rates shown by the American experience table of mortality, to wit, first insurance year fifty per centum thereof, second insurance year sixty-five per centum thereof, third insurance year seventy-five per centum thereof, fourth insurance year eighty-five per centum therof, and fifth insurance year ninety-five per centum thereof. The superintendent may vary the standards of interest and mortality in the case of corporations from foreign countries as to contracts issued by such corporations in other countries than the United States; and in particular cases of invalid lives and other extra hazards, and value policies in groups, use approximate averages for fractions of a year and otherwise, and accept the valuation of the department of insurance of any other state or country if made upon the basis and according to the standards herein required in place of the valuation herein required if the insurance officer of such state or country accepts as sufficient and valid for all purposes the certificate of valuation of the superintendent of insurance of this state. No policy issued after the thirty-first day of December, nineteen hundred and six, shall be valued as term insurance unless premiums are based upon net term rates; and no policy with level premiums issued after said date shall be valued as term insurance for the first policy year. The legal minimum standard for the valuation of annuities issued after January first, nineteen hundred and seven, shall be McClintock's "Tables of Mortality among Annuitants" with interest at three and one-half per centum per annum, but annuities deferred ten or more years and written in connection with life or term insurances shall be valued on the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per centum per annum. The legal minimum standard for the valuaticn of industrial policies issued after the first day of January, nineteen hundred and seven, shall be the American experience table of mortality with interest at three and one-half per centum per annum, provided, that any life insurance corporation may voluntarily value its industrial policies written on the weekly premium payment plan according to the standard industrial mortality table or the substandard industrial mortality table. Any life insurance corporation may voluntarily value its policies, or any class thereof, according to the American experience table of mortality, or if industrial, at its option, according to the standard industrial mortality table or substandard industrial mortality table, at a lower rate of interest than that above prescribed, but not lower than three per centum per annum, and with or without reference to the select and ultimate method of valuation, and in every such case shall report any excess of its valuations over those computed by the said legal minimum standard and also the standards used by it in making the same to the superintendent of insurance in its annual statement, provided that no such standards if adopted shall be abandoned without the consent of the superintendent of insurance first obtained in writing.

Source—Former § 84, as amended by L. 1893, chap. 147; L. 1901, chap. 346; L. 1906, chap. 326, and L. 1909, chap. 301. Amended by L. 1910, chap. 616.

§ 87. **Contingency reserve.**

Any domestic life insurance corporation may accumulate and maintain in addition to an amount equal to the net values of its policies computed according to the standard adopted by it under section eighty-four of this chapter a contingency reserve not exceeding the following respective percentages of said net values, to wit: When said net values are less than one hundred thousand dollars, twenty per centum thereof or the sum of ten thousand dollars, whichever is the greater; when said net values are

greater than one hundred thousand dollars, the percentage thereof measuring the contingency reserve shall decrease one-half of one per centum for each one hundred thousand dollars of said net values up to one million dollars; one-half of one per centum for each additional one million dollars up to ten million dollars; one-half of one per centum for each additional two million five hundred thousand dollars up to twenty million dollars; one-half of one per centum for each additional five million dollars up to fifty million dollars; one-half of one per centum for each additional twenty-five million dollars up to seventy-five million dollars; and if said net values equal or exceed the last mentioned amount, the contingency reserve shall not exceed five per centum thereof; provided that as the net values of said policies increase and the maximum percentage measuring the contingency reserve decreases such corporation may maintain the contingency reserve already accumulated hereunder, although for the time being it may exceed the maximum percentage herein prescribed, but may not add to the contingency reserve when the addition will bring it beyond the maximum percentage. Provided however that nothing herein contained shall be construed to affect any existing surplus or contingency reserves held by any such corporation save that whenever the existing surplus and contingency reserves, exclusive of said net values and of all accumulations held on account of existing deferred dividend policies or groups of such policies, shall exceed the limit above mentioned it shall not be entitled to maintain any additional contingency reserve. Provided further that for cause shown the superintendent of insurance may at any time and from time to time permit any corporation to accumulate and maintain a contingency reserve in excess of the limit above mentioned for a prescribed period, not exceeding one year under any one permission, by filing in his office a decision stating his reasons therefor and causing the same to be published in his next annual report. This section shall not apply to any corporation doing exclusively a non-participating business.

Source.—Former § 87.

§ 88. **Surrender value of lapsed or forfeited policies.**

Whenever any policy of life insurance issued after January first, eighteen hundred and eighty, and before January first, nineteen hundred and seven, by any domestic life insurance corporation after being in force three full years, shall, by its terms, lapse or become forfeited for the non-payment of any premium or any note given for a premium or loan made in cash on such policy as security, or of any interest on such note or loan, the reserve on such policy computed according to the American experience table of mortality at the rate of four and one-half per centum per annum shall, on demand made, with surrender of the policy within six months after such lapse or forfeiture, be taken as a single premium of life insurance at the published rates of the corporation at the time the policy was issued, and shall be applied, as shall have been agreed in the application or policy, either to continue the insurance of the policy in force at its full amount so long as such single premium will purchase temporary insurance for that amount, at the age of the insured at the time of lapse or forfeiture, or to purchase upon the same life at the same age paid-up insurance payable at the same time and under the same conditions, except as to payments of premiums, as the original policy. If no such agreement be expressed in the application or policy, such single premium may be applied in either of the modes above specified at the option of the owner of the policy, notice of such option to be contained in the demand hereinbefore required to be made to prevent the forfeiture of the policy.

The reserve hereinbefore specified shall include dividend additions calculated at the date of the failure to make any of the payments above described according to the American experience table of mortality with interest at the rate of four and one-half per centum per annum after deducting any indebtedness of the insured on account of any annual or semi-annual or quarterly premium then due, and any loan made in cash on such policy, evidence of which is acknowledged by the insured in writing.

The net value of the insurance given for such single premium under this section, computed by the standard of this state, shall in no case be less than two-thirds of the entire reserve computed according to the rule prescribed in this section after deducting the indebtedness as specified; but such insurance shall not participate in the profits of the corporation.

If the reserve upon any endowment policy applied according to the provisions of this section as a single premium of temporary insurance be more than sufficient to continue the insurance to the end of the endowment term named in the policy, and if the insured survive that term, the excess shall be paid in cash at the end of such term, on the conditions on which the original policy was issued.

This section shall not apply to any case of a policy issued before January first, nineteen hundred and seven, where the provisions of the section are specifically waived in the application and notice of such waiver is written or printed in red ink on the margin of the face of the policy when issued. If any policy of life insurance (other than a term policy for twenty years or less), issued on or after January first, nineteen hundred and seven, by any domestic life insurance corporation, after being in force three

full years shall by its terms lapse or become forfeited by the nonpayment of any premium or any note therefor or any loan on such policy or of any interest on such note or loan, the reserve on such policy computed according to the standard adopted by said company in accordance with section eighty-four of this chapter, together with the value of any dividend additions upon said policy, after deducting any indebtedness to the company and one-fifth of the said entire reserve, or the sum of two and fifty one-hundredths dollars for each one hundred dollars of the face of said policy if said sum shall be more than the said one-fifth, shall upon demand not later than three months after the date of lapse with surrender of the policy be applied as a surrender value as agreed upon in the policy, provided that if no other option expressed in the policy be availed of by the owner thereof, and if the policy itself does not direct what option shall become operative in default of selection by the owner, the same shall be applied to continue the insurance in force at its full amount including any outstanding dividend additions less any outstanding indebtedness on the policy but without future participation and without the right to loans, so long as such surrender value will purchase nonparticipating temporary insurance at net single premium rates by the standard adopted by the company, at the age of the insured at the time of lapse or forfeiture, provided in case of any endowment policy if the sum applicable to the purchase of temporary insurance shall be more than sufficient to continue the insurance to the end of the endowment term named in the policy, the excess shall be used to purchase in the same manner pure endowment insurance payable at the end of the endowment term named in the policy on the conditions on which the original policy was issued, and provided further that any attempted waiver of the provisions of this paragraph in any application, policy or otherwise, shall be void, and provided further that any value allowed in lieu thereof shall be at least equal to the net value of the temporary insurance or of the temporary and pure endowment insurance herein provided for. The term of temporary insurance herein provided for shall include the period of grace, if any. In every case where a contract provides for both insurance and annuities, the foregoing provisions shall apply only to that part of the contract which provides for insurance, but every such contract containing a provision for a deferred annuity on the life of the insured only (unless paid for by a single premium) shall provide that in the event of the nonpayment of any premium after three full years' premiums shall have been paid, the annuity shall automatically become converted into a paid-up annuity for such a proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

Source.—Former § 88, as amended by L. 1906, chap. 326, and L. 1909, chap. 301. Amended by chap. 595 of 1909 and chap. 614 of 1910.

§ 89. **Discriminations prohibited.**

No life insurance corporation doing business in this state shall make or permit any discrimination between individuals of the same class or of equal expectation of life, in the amount or payment or return of premiums or rates charged for policies of insurance, or in the dividends or other benefits payable thereon, or in any of the terms and conditions of the policy; nor shall any such company permit or agent thereof offer or make any contract of insurance or agreement as to such contract other than as plainly expressed in the policy issued thereon; nor shall any such company or any officer, agent, solicitor or representative thereof pay, allow or give, or offer to pay, allow or give, directly or indirectly, as inducement to any person to insure, or give, sell or purchase, or offer to give, sell or purchase as such inducement or in connection with such insurance, any stocks, bonds or other securities of any insurance company or other corporation, association or partnership, or any dividends or profits accruing thereon, or any valuable consideration or inducement whatever not specified in the policy, nor shall any person knowingly receive as such inducement, any rebate of premium, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any paid employment or contract for services of any kind or any valuable consideration or inducement whatever, not specified in the policy. No person shall be excused from attending and testifying or producing any books, papers or other documents before any court or magistrate, upon any investigation, proceeding or trial for a violation of any of the provisions of this section, upon the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to convict him of a crime or subject him to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may so testify or produce evidence, documentary or otherwise, and no testimony so given or produced shall be received against him upon any criminal investigation or proceeding. No premium upon any policy of life insurance issued on or after January first, nineteen hundred and seven, shall be charged for term insurance for one year, higher in amount than the premium for term insurance for one year at the same age under any other form of policy issued by such corporation.

Source.—Former § 89, as amended by L. 1906, chap. 326, and L. 1907, chap. 729.

§ 91. **Business to be accepted from licensed agents only; agents' certificate of authority.**

No life insurance corporation doing business within this state, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the superintendent of insurance a certificate of authority to act as an agent of such company as hereinafter provided. No person shall act as agent, sub-agent or broker, in the solicitation or procurement of applications for insurance, or receive for services in obtaining new insurance any commission or other compensation from any life insurance corporation doing business in this state, or agent thereof, without first procuring a certificate of authority so to act from the superintendent of insurance, which must be renewed annually on the first day of January, or within six months thereafter. Such certificate shall be issued by the superintendent of insurance only upon the written application of persons desiring such authority, such application being approved and countersigned by the company such person desires to represent, and shall be upon a form approved by the superintendent of insurance, giving such information as he may require. The superintendent of insurance shall have the right to refuse to issue or renew any such certificate in his discretion. No such certificate shall be valid, however, in any event after the first day of July of the year following the issuing of such certificate. Renewal certificates may be issued upon the application of the company. Such certificate of authority shall be executed in triplicate; one copy thereof shall be filed in the office of the superintendent, and two copies thereof shall be issued to such agent, subagent or broker, one of which copies such agent, subagent or broker shall, within thirty days after such certificate is issued, cause to be filed in the office of the county clerk of the county in which such agent, subagent or broker resides, or, if a non-resident, in the office of the county clerk of the county in this state in which he has an office for the transaction of business. Agents operating solely for companies transacting industrial or prudential insurance on the weekly-payment plan of insurance are exempted from the provisions of this section, and nothing contained herein shall be construed as prohibiting any corporation transacting industrial or prudential insurance on the weekly-payment plan from accepting business on the plan from unlicensed agents. Any person or corporation violating the provisions of this section shall forfeit to the state the sum of five hundred dollars. On the conviction of any person acting as agent, subagent or broker, of the commission of any act which is a violation of any of the provisions of this chapter the superintendent of insurance shall immediately revoke the certificate of authority issued to him and no such certificate shall thereafter be issued to such convicted person by the superintendent within three years from the date of his conviction.

Source.—Former § 91, as amended by L. 1895, chap. 995; L. 1907, chap. 623, and L. 1909, chap. 301.

§ 92. **No forfeiture of policy without notice.**

No life insurance corporation doing business in this state shall within one year after the default in payment of any premium, installment or interest declare forfeited, or lapsed, any policy hereafter issued or renewed, and not issued upon the payment of monthly or weekly premiums, or unless the same is a term insurance contract for one year or less, nor shall any such policy be forfeited, or lapsed, by reason of nonpayment when due of any premium, interest or installment or any portion thereof required by the terms of the policy to be paid, within one year from the failure to pay such premium, interest or installment, unless a written or printed notice stating the amount of such premium, interest, installment, or portion thereof, due on such policy, the place where it shall be paid, and the person to whom the same is payable, shall have been duly addressed and mailed to the person whose life is insured, or the assignee of the policy, if notice of the assignment has been given to the corporation, at his last known post-office address in this state, postage paid by the corporation, or by any officer thereof, or person appointed by it to collect such premium, at least fifteen and not more than forty-five days prior to the day when the same is payable. The notice shall also state that unless such premium, interest, installment or portion thereof, then due, shall be paid to the corporation, or to the duly appointed agent or person authorized to collect such premium by or before the day it falls due, the policy and all payments thereon will become forfeited and void except as to the right to a surrender value or paid-up policy as in this chapter provided. If the payment demanded by such notice shall be made within its time limited therefor, it shall be taken to be in full compliance with the requirements of the policy in respect to the time of such payment; and no such policy shall in any case be forfeited or declared forfeited, or lapsed, until the expiration of thirty days after the mailing of such notice. The affidavit of any officer, clerk, or agent of the corporation, or of any one authorized to mail such notice that the notice required by this section, has been duly addressed and mailed by the corporation issuing such policy shall be presumptive evidence that such notice has been duly given. No action shall be maintained to recover under a forfeited policy, unless the same is insti-

tuted within two years from the day upon which default was made in paying the premium, installment, interest or portion thereof for which it is claimed that forfeiture ensued.

Source.—Former § 92, as amended by L. 1897, chap. 218, and L. 1906, chap. 326.

§ 94. **Election of directors.**

The following provisions are hereby established for the election of directors:

1. At every election of directors in any domestic mutual life insurance corporation, whether incorporated by special act or under general law and anything to the contrary in its charter, certificate of incorporation or by-laws notwithstanding, every policyholder whose insurance shall be in force and shall have been in force for at least one year prior thereto shall be entitled to vote without other qualification.

2. Every such policyholder, and every other person having a right to vote by virtue of any contract made prior to the enactment of this section which shall remain in force until the date of such election, shall be entitled to vote in person or by proxy or by mail, as herein provided.

3. Except as otherwise now provided with reference to existing policies, every policyholder shall be entitled to one vote only irrespective of the number of policies or the amount of insurance held by him; and unless a policy shall have been assigned more than six months prior to the election by an assignment absolute on its face to an assignee other than the corporation which shall have issued the policy the person upon whose application the policy shall have been issued, or if the application be signed by more than one person, the person whose life is insured shall be deemed to be a policyholder entitled to vote as aforesaid; in case a policy shall have been assigned as aforesaid, the assignee shall be deemed to be a policyholder entitled to vote, provided his signature, either attested by the assignor or acknowledged in like manner as in case of a deed to be recorded in this state, shall have been filed at the home office of the corporation which shall have issued the policy.

4. At least six months prior to every such election every such corporation shall file with the superintendent of insurance two full and correct lists of the names and last known post-office addresses of all policyholders whose insurance was in force twelve months prior to the date fixed for such election, and all other policyholders entitled to vote by virtue of contracts made prior to April twenty-seven, nineteen hundred and six. The names of said policyholders shall be arranged on said lists alphabetically, placed in separate volumes containing not to exceed three thousand names, and shall be classified by states, territories and possessions of the United States and by foreign countries. Such corporation shall also maintain two similar lists at its home office; and these lists shall be corrected from the records of the home office so that a list as nearly correct as may be shall be on file to within three months of such an election.

5. All said lists shall be subject to inspection and copy under regulations prescribed by the superintendent of insurance at any time during business hours by any policyholder in said corporation or by his authorized representative during the six months prior to such election; provided, however, that after such election, or, if no candidate shall have been nominated other than those nominated by the board of directors, then after the time for such independent nominations shall have expired, such lists may be withdrawn by the corporation filing and maintaining the same as aforesaid; and thereafter, prior to the next election, new lists shall be filed and maintained, subject to inspection and copy, as above provided, which may be similarly withdrawn.

6. Where policyholders of any domestic stock life insurance corporation have become or shall become entitled to vote for directors, they shall be entitled to vote in person, by proxy or by mail, as herein provided and two similar lists of policyholders, qualified to vote, in accordance with the charter or by-laws of such corporation, except the holders of industrial policies, shall be filed and maintained in the office of the superintendent of insurance and at the home office respectively, similarly arranged and similarly subject to inspection and copy and withdrawal as in the case of mutual corporations as above provided.

7. Where policyholders in any company shall have made nominations as hereinafter prescribed, they, or a committee representing them, shall upon demand, with the approval of the superintendent of insurance and the payment to the company of the actual cost of making such copies, be furnished by such company with a copy of such list of policyholders or with a copy therefrom of the list for a separate jurisdiction. A copy of a list so taken, or of any part thereof, shall be held by persons receiving the same inviolate for the purposes of said nominators in a pending election and shall not be transferred to other persons for any other use whatever. At the close of the canvass of the votes all copies of such lists shall be returned to the company.

8. At least seven months prior to the date of any election of directors in any such corporation, the board of directors shall nominate candidates for every vacancy to be

filled at such election and shall also appoint three persons, jointly or severally, to receive proxies to be voted for said nominees, and shall also file with the superintendent of insurance and at its home office a certificate of the names of the candidates so nominated and of the persons so designated to receive said proxies which shall be described as the "administration ticket."

9. Any one hundred or more qualified voters of such corporation may make other nominations for one or more vacancies to be filled at any such election by filing with the superintendent of insurance at least five months before the election a certificate signed and acknowledged, giving the names and addresses of the candidates nominated, the names and addresses of three persons, jointly or severally, designated to receive proxies to be voted for said nominees, and an appropriate name or title designated by the superintendent of insurance to distinguish the ticket from the administration ticket and other nominations. Such nominators must also file a copy of said certificate, certified by said superintendent, at the home office of the company at least five months before such election.

10. All certificates of nominations shall be accompanied by a written acceptance of such nomination by each nominee thereon. A court of record may for cause shown direct the name of any candidate to be stricken from a ticket on file and may authorize the nominators of such ticket to substitute the name of another person to fill the vacancy so made.

11. If no independent nomination shall have been made as hereinbefore provided, then and in that case all further proceedings in connection with such election as provided by this section may be omitted, and said election shall then be conducted and held under such rules and regulations as the superintendent of insurance may prescribe; but no votes shall be cast or counted except for said candidates nominated by the board of directors, or for such candidates as the board of directors may have nominated to fill vacancies among said candidates caused by the death, disability or refusal to stand as candidates of any one or more of those so nominated.

12. At least three months prior to any such election the corporation shall cause to be mailed, in a serially numbered sealed envelope with postage prepaid, to each policyholder whose name shall be upon said list and whose policy shall still be in force, at his last known post-office address, a corresponding serially numbered official ballot in a form approved by the superintendent of insurance and containing the respective tickets nominated as hereinbefore provided and the names and addresses of the persons so appointed to receive proxies. A corresponding serially numbered stub or card containing the name and address of the policyholder to whom each ballot is sent shall be retained at the home office of the company for the purpose of identifying said ballot when returned. Such official ballot shall be conveniently arranged under the names or titles by which the nominations have been designated and shall have printed upon it the name of the company, the post-office address of its home office, the number of directors to be elected and the names of those whose terms expire, the date of the election and instructions as herein provided for executing such official ballot or for the use of a proxy as herein provided and a designated space for the signature of the policyholder, the number of one of his policies and the signature of a subscribing witness.

13. No other or different ballot shall be used, except that a duplicate ballot or ballots may be supplied to any policyholder and voter or to the holder of his proxy, for his own use, pursuant to rules and regulations prescribed by the superintendent of insurance.

14. There shall be enclosed in such sealed envelope with such official ballot a suitable returned gummed envelope having thereon the name and post-office address of the home office of the corporation and the words "ballot for directors." There shall also be enclosed in such sealed envelope a suitable blank proxy upon which shall be printed a statement of the right of the policyholder to vote either by mail or by proxy as herein provided or in person.

15. No other papers or written or printed matter shall be enclosed in such sealed envelope. Specimen copies of such sealed envelope and enclosures shall be approved by the superintendent of insurance before being so mailed.

16. A policyholder desiring to vote by mail must indicate the name of the nominee or nominees for whom he desires to vote or strike out the name or names of those for whom he does not desire to vote upon the official ballot so provided or must otherwise suitably indicate in the blank space thereon the nominee or nominees for whom he desires to vote, and must sign the said official ballot in his own handwriting in the presence of a subscribing witness, and place or caused to be placed thereon the number of at least one policy held by him. Failure to state or to correctly state such policy number shall not render a ballot void or subject the policyholder to any penalty.

17. Such policyholder must enclose the official ballot so marked in such return envelope or in a similarly inscribed envelope. Such envelope containing the ballot sealed and postpaid shall be mailed by the policyholder to the home office of the

company. No policyholder may vote for more than the number of directors so to be elected and all ballots upon which the intent of the policyholder does not fairly appear shall be void.

18. Any policyholder may vote by proxy executed to any person, whether designated in the certificates filed as aforesaid or otherwise. The execution of a proxy shall be attested by a subscribing witness and the proxy shall set forth the number of at least one policy held by the person giving it. A proxy shall not be valid unless executed within three months prior to the election and shall be used only at such election or any adjournment thereof and may be revoked by the policyholder giving the same at any time prior to the opening of the polls upon the day of such election. In exercising such proxy the holder or holders thereof shall vote only upon the official ballot, or the duplicate thereof, furnished to such policyholder as hereinbefore provided, to which such party shall be attached. In so voting the proxy holder shall sign said ballot in the name of the policyholder, and shall also sign his own name as proxy. Ballots voted by proxy holders shall be mailed to the home office, or voted in person by said proxy holder, in the same manner as herein provided for ballots voted directly by policyholders.

19. The votes cast at such election shall be limited to the candidates nominated as aforesaid except that in case of a vacancy occurring upon any ticket so nominated the board of directors of such corporation, if the candidate was upon the administration ticket, and a majority of the nominators if the candidate was upon an independent ticket, shall nominate another candidate in his place by filing a certificate of said nomination with the superintendent of insurance and a certified copy thereof at the home office of the company if such vacancy occurs more than five months prior to the day set for the election, and the name of the candidate so selected shall be set forth in the official ballots sent out by the company. If such vacancy occurs within five months prior to such election then the directors elected at such election shall have power to fill such vacancy.

20. All ballots by mail shall be received at the home office of a company holding an election by two or more persons, one-half of whom shall be appointed for that purpose by the superintendent of insurance and one-half by the directors of the company. The compensation of the custodians so appointed shall be paid by the company. Such custodians shall keep a daily record of the envelopes marked as containing ballots for directors which are received at the home office, and shall securely retain them in their joint custody in safety vaults or compartments accessible only to such custodians and not to either of them separately, under regulations prescribed by the superintendent of insurance. Prior to the closing of the polls election day said custodians shall deliver all ballots so received by them to the inspectors of election.

21. The election shall be held at the home office of the company. The polls shall be opened at ten o'clock in the forenoon and remain open until four o'clock in the afternoon of the day of election, at which time they shall be closed. All votes cast at such election shall be by ballot as hereinbefore provided.

22. The superintendent of insurance shall appoint an adequate number of inspectors of election who may employ expert accountants and assistants and may procure stationery and supplies for conducting the election and canvassing the votes. Their compensation and necessary disbursements shall be paid by the company. Such inspectors shall have power to determine all questions concerning the verification of the ballots, the ascertainment of the validity thereof, the qualifications of the voters and the canvass of the vote; and with respect thereto shall act under such rules and regulations as shall be prescribed by the superintendent of insurance.

23. All envelopes marked substantially as hereinbefore prescribed received by mail at the home office of the company at any time prior to the day of election or on that day before the polls are closed shall be forthwith delivered intact without opening to the custodians appointed as hereinbefore provided and before the polls are closed shall be delivered to the inspectors of election.

24. No person shall conceal or withhold or aid or abet any other person in concealing or withholding from the custodians or inspectors any such envelope; nor shall any person, other than an inspector, open or aid or abet any person to open any such envelopes.

25. No ballots received by mail at the office of the company or offered personally or by proxy after the polls are closed shall be counted. All ballots offered personally or under proxies and all ballots received by mail at the office of the company as aforesaid before the polls are closed shall be received by the inspectors subject to verification and ascertainment of the validity thereof and of the qualifications of the voter.

26. Immediately upon the closing of the polls the inspectors shall proceed to the examination of the ballots and shall canvass the votes lawfully cast. The canvass shall proceed from day to day and the inspectors shall certify the result to the company and to the superintendent of insurance as soon as it is completed.

27. Representatives designated by a majority of each three persons who shall have been appointed to receive proxies to be voted for tickets nominated as aforesaid may, in such number as shall be approved by the superintendent of insurance, be present during the casting, verification and canvass of the votes. The compensation of such representatives shall not be a charge upon or paid from the funds of the company.

28. All ballots and proxies received by the inspectors of election shall immediately upon the completion of the canvass be placed in sealed packages and shall be preserved by the said inspectors for a period of four months subject to the order of any court having jurisdiction of any proceedings relating thereto.

29. The superintendent of insurance shall have power to supervise and direct the methods and procedure of all elections herein provided for and to make all further needful rules and regulations concerning the same. All bills for or on account of the custodians of ballots and inspectors of election, their employees, assistants, necessary expenses or disbursements, during the conduct of such election, and the canvass of the votes, shall be approved by the superintendent of insurance before payment by the company.

30. The said elections and the conduct thereof shall at all times be subject to the supervision and control of the courts in like manner as elections for state, county and municipal officers so far as applicable.

31. The including by any corporation of the name of any person in any list of policyholders required by this section shall not be construed as an admission by the corporation of the validity of any policy, and no such list shall be competent evidence against the corporation in any action or proceeding in which the question of the validity of any policy or of any claim under it is involved.

32. No insurance company, and no officer, agent or employee thereof shall knowingly omit the name of a policyholder and voter from the lists herein required to be filed, or shall knowingly omit to give the correct name and address of such policyholder and voter, or knowingly give a wrong address, or shall expend, advance or loan any money of the company contrary to the provisions of this section.

33. Except where such expenditure is authorized or required by this section, no money of the company shall be expended in connection with such election or in canvassing therefor, and no officer or agent of the company shall directly or indirectly make any advance or loan of such moneys to any person in connection with or for the purpose of such election or canvass.

34. No officer, salaried agent or employee shall, within the period between the filing of the nominations and the election, during business hours, devote any of his time in soliciting votes in support of or in opposition to any candidate or list of candidates in connection with any such election. No officer, agent, or employee shall compel or coerce any other officer, agent or employee to support, work for, or oppose any candidate or any list of candidates. The stationery or supplies of the company or office space devoted to the conduct of its business shall not be used for furthering the interest of any ticket or candidate thereon.

35. No person, whether connected with the company or otherwise, shall issue or cause to be issued any circular or other written or printed communication either in behalf of or in opposition to any ticket or any candidate thereon containing any false statement.

Source.—Former § 94, as amended by L. 1907, chap. 623.

§ 96. **Limitation of new business.**

No domestic life insurance corporation shall issue in any year new policies for a larger amount in the aggregate than as follows, to wit: If the total amount of insurance by said corporation in force on the thirty-first day of December of the preceding year is more than fifty million dollars, and not in excess of one hundred million dollars, not more than thirty per centum thereof; if more than one hundred million dollars, and not in excess of three hundred million dollars, not more than twenty-five per centum thereof, or thirty million dollars, whichever is the larger; if more than three hundred million dollars, and not in excess of six hundred million dollars, not more than twenty per centum thereof, or seventy-five million dollars, whichever is the larger; if more than six hundred million dollars, not more than one hundred and fifty million dollars, or it may increase its new business over the largest amount issued in any one of the three years immediately preceding in the proportion in respect to said amount which the difference between twenty-five per centum of its net renewal premiums computed according to the bases of mortality and interest assumed in calculating its liabilities, and its total expenses for such preceding year, after deducting from said total expenses (1), the items of first year expenditure specified in the first sentence of section ninety-seven of this chapter, (2) its actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and (3) taxes on real estate and other outlays exclusively in connection with real estate, bears to said net renewal premiums;

provided, that in determining the amount of insurance in force and the amount of new insurance issued, industrial policies issued upon the weekly premium plan and all premiums on such policies and the expenses in connection with such policies, shall be excluded and there shall be included only that insurance upon which the first premium or instalment thereof has actually been received. A foreign life insurance corporation, which shall not conduct its business within the limitation and in accordance with the requirements imposed by this section upon domestic corporations, shall not be permitted to do business within this state.

Source.—Former § 96. Amended by L. 1910, chap. 697.

§ 97. **Limitation of expenses.**

No domestic life insurance corporation shall in any calendar year, after the year nineteen hundred and six, expend or become liable for, including any and all amounts which any person, firm or corporation is permitted to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, a total amount exceeding in the aggregate (a) the loadings upon the premiums for the first year of insurance received in said calendar year (calculated on the basis of the American experience table of mortality with interest at the rate of three and one-half per centum per annum) and (b) the present values of the assumed mortality gains for the first five years of insurance on policies in force at the end of said calendar year on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the select and ultimate method of valuation as provided in section eighty-four of this chapter; and (c) on policies issued and terminated in said calendar year the full gross premiums received, less the net cost of insurance for the time the insurance was in force, computed by the American experience select and ultimate table, three and one-half per centum. No such corporation shall make or incur any expense or permit any expense to be made or incurred upon its behalf or under any agreement with it, except actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and also except taxes on real estate and other outlays exclusively in connection with real estate, in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards adopted by the company under section eighty-four of this chapter, and the present values of the assumed mortality gains hereinbefore mentioned. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited. No such corporation shall pay commissions upon renewal premiums received upon policies issued after the year nineteen hundred and six, in excess of five per centum of the premium annually for fourteen years after the first year of insurance in the case of endowment policies providing for less than twenty annual premiums, nor in excess of seven and one-half per centum of the premium annually for the first nine years after the first year of insurance and five per centum of the premium annually for the next ensuing five years in the case of other forms of policies; provided that an amount found to be equivalent to the aggregate amount so payable by a calculation approved by the superintendent of insurance and based upon mortality, interest and lapse rates, may be distributed through three or more years, or through a period exceeding fourteen years, but not more than two-fifths of such amount shall be payable for any one year; provided further that in any agency district subject to the supervision of a local salaried representative the renewal commission payable to agents of such district shall not exceed two-thirds of the foregoing rates annually for fourteen years, subject to the calculation as aforesaid; provided further that any such corporation may condition the allowance or payment in whole or in part of any of the renewal commissions allowed to be paid as aforesaid upon the efficiency of service of the agent receiving the same or upon the amount and quality of the business renewed under his supervision; and also provided that a fee not exceeding three per centum may be paid for the collection of premiums which shall be received for any year after the fifteenth year of insurance. If any such corporation shall compensate its agents, or any of them, after the first insurance year, in whole or in part, upon any other plan than commissions and collection fees, the aggregate sum so paid shall in no year exceed the limitations herein imposed and the schedule and plan of such compensation shall be submitted to and approved by the superintendent of insurance. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to

solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance. A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the state. This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively.

Source.—Former § 97, as amended by L. 1909, chap. 301. Amended by L. 1910, chap. 697.

§ 98. **Salaries of officers and agents; when fixed by board of directors.**

No domestic life insurance corporation shall pay any salary, compensation or emolument to any officer, trustee or director thereof, nor any salary, compensation or emolument amounting in any year to more than five thousand dollars to any person, firm or corporation unless such payment be first authorized by a vote of the board of directors of such life insurance corporation. No such life insurance corporation shall make any agreement with any of its officers, trustees or salaried employees whereby it agrees that for any services rendered or to be rendered he shall receive any salary, compensation or emolument that will extend beyond a period of twelve months from the date of such agreement. No such corporation shall grant any pension to any officer, director or trustee thereof or to any member of his family after his death.

Source.—Former § 98.

§ 99. **Vouchers.**

No domestic life insurance corporation shall make any disbursement of one hundred dollars or more unless the same be evidenced by a voucher signed by or on behalf of the person, firm or corporation receiving the money and correctly describing the consideration for the payment, and if the same be for services and disbursements setting forth the services rendered and an itemized statement of the disbursements made, and if it be in connection with any matter pending before any legislative or public body or before any department or officer of any government, correctly describing in addition the nature of the matter and of the interest of such corporation therein, or if such a voucher cannot be obtained by an affidavit stating the reasons therefor and setting forth the particulars above mentioned.

Source.—Former § 99.

§ 100. **Investments.**

No domestic life insurance corporation, whether incorporated by special act or under a general law, shall invest in or loan upon any shares of stock of any corporation, other than a municipal corporation, nor, excepting government, state or municipal securities, shall it invest in, or loan upon, any bonds or obligations which shall not be secured by adequate collateral security or where more than one-third of the total value of the collateral security therefor shall consist of shares of stock. Every such corporation which on the first day of June, nineteen hundred and six, owned any shares of stock other than public stocks of municipal corporations whenever the same were acquired, or any bonds or obligations of the kinds above described where said bonds or obligations were acquired after the first day of March, nineteen hundred and six, shall dispose of the said shares of stock and of said bonds and obligations within five years from the thirty-first day of December, nineteen hundred and six, and in each year prior to the expiration of said five years shall make such reduction of its holdings of said securities as may be approved in writing by the superintendent of insurance. No investment or loan shall be made by any such life insurance corporation unless the same shall first have been authorized by the board of directors or by a committee thereof charged with the duty of supervising such investment or loan. No such corporation shall subscribe to or participate in any underwriting of the purchase or sale of securities or property, or enter into any transaction for such purchase or sale on account of said corporation jointly with any other person, firm or corporation; nor shall any such corporation enter into any agreement to withhold from sale any of its property, but the disposition of its property shall be at all times within the control of its board of directors. Any such corporation, in addition to other investments allowed by law, may invest any of its funds in any duly authorized bonds or evidences of debt of any city, county, town, village, school district, municipality or other civil division of any state and may loan upon the security of improved unencumbered real property in any state worth fifty per centum more than the amount loaned thereon. Provided, however, that nothing in this section contained shall be construed as prohibiting a life insurance company from entering into an agreement for the purpose of protecting the

interests of the company in securities lawfully held by it, or for the purpose of reorganization of a corporation which issued securities so held, and from depositing such securities with a committee or depositaries appointed under such agreement; but such agreement and the deposit of securities thereunder must first be approved in writing by the superintendent of insurance with a statement of his reasons for such approval. Nor shall this section be construed as preventing such company from accepting corporate stock or bonds or other securities, which may be distributed pursuant to any such agreement approved as aforesaid or to any plan of reorganization approved in writing by the superintendent of insurance with a statement of his reason for such approval. But if any securities so received shall consist in whole or in part of stock in any corporation or of bonds or obligations which shall not be secured by adequate collateral security or where more than one-third of the total value of the collateral security therefor shall consist of shares of stock, then any stock and any such bond or obligation so received shall be disposed of within five years from the time of their acquisition or before the expiration of such further period or periods of time as may be fixed in writing for that purpose by the superintendent of insurance.

Source.—Former § 100, as amended by L. 1908, chap. 9.

§ 101. **Standard provisions.**

On and after January first, nineteen hundred and ten, no policy of life or endowment insurance shall be issued or delivered in this state unless and until a copy of the form thereof has been filed with the superintendent of insurance and approved by him; nor shall such policy, except policies of industrial insurance where the premiums are payable weekly, be so issued or delivered unless it contains in substance the following provisions:

1. A provision that the insured is entitled to a grace either of thirty days or of one month within which the payment of any premium after the first year may be made, subject at the option of the company to any interest charge not in excess of six per centum per annum for the number of days of grace elapsing before the payment of the premium, during which period of grace the policy shall continue in full force, but in case the policy becomes a claim during the said period of grace before the overdue premium or the deferred premiums of the current policy year if any are paid, the amount of such premiums, with interest on any overdue premium, may be deducted from any amount payable under the policy in settlement.

2. A provision that the policy shall be incontestable after two years from its date of issue except for nonpayment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.

3. A provision that the policy shall constitute the entire contract between the parties, but if the company desires to make the application a part of the contract it may do so provided a copy of such application shall be endorsed upon or attached to the policy when issued, and in such case the policy shall contain a provision that the policy and the application therefor shall constitute the entire contract between the parties.

4. A provision that if the age of the insured has been misstated the amount payable under the policy shall be such as the premium would have purchased at the correct age.

5. A provision that the policy shall participate in the surplus of the company annually.

6. A provision specifying the options to which the policyholder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid.

7. A provision that after three full years' premiums have been paid, the company at any time, while the policy is in force, will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest, a sum equal to, or at the option of the owner of the policy less than, the reserve at the end of the current policy year on the policy and on any dividend additions thereto, less a sum not more than two and one-half per centum of the amount insured by the policy and of any dividend additions thereto; and that the company will deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year; which provision may further provide that such loan may be deferred for not exceeding six months after the application therefor is made. A company may, in lieu of the provision hereinabove permitted for the deduction from a loan on the policy of a sum not more than two and one-half per centum of the amount insured by the policy and of any dividend additions thereto, insert in the policy a provision that one-fifth of the entire reserve may be deducted in case of a loan under the policy, or may provide therein that the deduction may be the said two and one-half per centum or the one-fifth of the said entire reserve at the option of the company.

8. A table showing in figures the loan values, if any, and the options available under the policy each year upon default in premium payments, during at least the first twenty years of the policy.

9. In case the proceeds of a policy are payable in installments or as an annuity, a table showing the amounts of the installments or annuity payments.

10. A provision that the holder of a policy shall be entitled to have the policy reinstated at any time within three years from the date of default unless the cash value has been duly paid, or the extension period expired, upon the production of evidence of insurability satisfactory to the company and the payment of all overdue premiums and any other indebtedness to the company upon said policy with interest at a rate not exceeding six per centum per annum payable annually.

Any of the foregoing provisions or portions thereof not applicable to single premium or nonparticipating or term policies shall to that extent not be incorporated therein; and any such policy may be issued or delivered in this state which in the opinion of the superintendent of insurance contains provisions on any one or more of the several foregoing requirements more favorable to the policyholder than hereinbefore required.

Source.—Former § 101, and this section added by chap. 301 of 1909. In effect January 1, 1909.

§ 103. **Annual reports of life insurance corporations.**

In addition to any other matter which may be required by law or pursuant to law by the superintendent of insurance to be stated therein every annual report of every life insurance corporation doing business in the state of New York, made pursuant to section forty-four of this chapter, shall contain an accurate, concise and complete statement of the following matter, to wit: (1) All the real property held by the corporation, the dates of acquisition, the names of the vendors, the actual cost, the value at which it is carried on the company's books, the market value, the amounts expended during the year for repairs and improvements, the gross and net income from each parcel, and if any portion thereof be occupied by the company the rental value thereof, a statement of any certificate issued by the superintendent extending the time for the disposition thereof, and all purchases and sales made since the last annual statement, with particulars as to dates, names of vendors and vendees, and the consideration. (2) The amount of existing loans upon the security of real property, stating the amount loaned upon property in each state and foreign country. (3) The moneys loaned by the corporation to any person other than loans upon the security of real property above mentioned and other than loans upon policies the actual borrowers thereof, the maturity and rate of interest of such loans, the securities held therefor, and all substitutions of securities in connection therewith, and the same particulars with reference to any loans made or discharged since the last annual statement. (4) All other property owned by the company or in which it has any interest including all securities, whether or not recognized by the law as proper investments, the dates of acquisition, from whom acquired, the actual cost, the value at which the property is carried upon the books, the market value, the interest or dividends received thereon, during the year; also all purchases and sales of property other than real estate made since the last annual statement, with particulars as to dates, names of purchasers and sellers, and the consideration; and also the income received and outlays made in connection with all such property. (5) All commissions paid to any persons in connection with loans or purchases or sales of any property, and a statement of all payments for legal expenses, giving particulars as to dates, amounts and names and addresses of payees. (6) All moneys expended in connection with any matter pending before any legislative body or any officer or department of government, giving particulars as to dates, amounts, names and addresses of payees, the measure or proceeding in connection with which the payment was made, and the interest of the corporation therein. (7) The names of the officers and directors of the company, the proceedings at the last annual election, giving the names of candidates and the number of votes cast for each and whether in person, by proxy or by mail. (8) The salary, compensation and emoluments received by officers or directors and where the same amounts to more than five thousand dollars that received by any person, firm or corporation, with particulars as to dates, amounts, payees and the authority by which the payment was made; also all salaries paid to any representative either at the home office, or at any branch office, or agency, for agency supervision. (9) The largest balances carried in each bank or trust company during each month of the year. (10) All death claims resisted or compromised during the year, with particulars as to sums insured, sums paid and reasons assigned for resisting or compromising the same in each case. (11) A complete statement of the profits and losses upon the business transacted during the year and the sources of such gains and losses, and a statement showing separately the margins upon premiums for the first year of insurance ascertained according to the select and ultimate method of valuation as provided in section eighty-four of this chapter and the actual expenses chargeable to the procurement of new business incurred since the last annual statement as

enumerated in section ninety-seven of this article. A foreign corporation, issuing both participating and nonparticipating policies, shall make a separate statement of profits and losses, margins and expenses, as aforesaid, with reference to each of said kinds of business, and also showing the manner in which any general outlays of the company have been apportioned to each of such kinds of business. (12) A statement separately showing the amount of the gains of the company for the year attributable to policies written after December thirty-first, nineteen hundred and six, and the precise method by which the calculation has been made. (13) The rates of annual dividends declared during the year for all plans of insurance and all durations and for ages at entry, twenty-five, thirty-five, forty-five and fifty-five, and the precise method by which such dividends have been calculated. (14) A statement showing the rates of dividends declared upon deferred dividend policies completing their dividend periods for all plans of insurance and the precise methods by which said dividends have been calculated. (15) A statement showing any and all amounts set apart or provisionally ascertained or calculated or held awaiting apportionment upon policies with deferred dividend periods longer than one year for all plans of insurance and all durations and for ages of entry as aforesaid, together with the precise statements of the methods of calculation by which the same have been provisionally or otherwise determined. (16) A statement of any and all reserve or surplus funds held by the company and for what purpose they are claimed respectively to be held.

(17.) A statement showing all sums of money expended in, or in any way connected with, the election of directors or trustees, with a statement when expended, by whom expended, to whom paid and for what purpose.

Source.—Former § 103, as amended by L. 1907, chap. 623.

From the Legislative Law. § 66. Legislative appearances.

Every person retained or employed for compensation as counsel or agent by any person, firm, corporation or association to promote or oppose directly or indirectly the passage of bills or resolutions by either house or to promote or oppose executive approval of such bills or resolutions, shall, in each and every year, before any service is entered upon in promoting or opposing such legislation, file in the office of the secretary of state a writing subscribed by such counsel or agent stating the name or names of the person or persons, firm or firms, corporation or corporations, association or associations, by whom or on whose behalf he is retained or employed, together with a brief description of the legislation in reference to which such service is to be rendered. No notice so filed shall be valid for more than thirty days after the adjournment of the session of the legislature held in the year in which the same is filed. It shall be the duty of the secretary of state to provide a docket to be known as the docket of legislative appearances, with appropriate blanks and indices, and to forthwith enter therein the names of the counsel and agents so retained or employed and of the persons, firms, corporations or associations retaining or employing them, together with a brief description of the legislation in reference to which the service is to be rendered, which docket shall be open to public inspection. Upon the termination of such employment the fact of such termination, with the date thereof, may be entered by direction of either such counsel or agent or of the employer. No person, firm, corporation or association shall retain or employ any person to promote or oppose legislation for compensation contingent in whole or in part upon the passage or defeat of any legislative measure or measures. No person shall for compensation engage in promoting or opposing legislation except upon appearance entered in accordance with the foregoing provisions of this section. And no person shall accept any such employment or render any such service for compensation contingent upon the passage or defeat of any legislative measure or measures. It shall be the duty of every person, firm, corporation or association within two months after the adjournment of the legislature to file in the office of the secretary of state an itemized statement verified by the oath of such person, or in case of a firm of a member thereof, or in case of a domestic corporation or association of an officer thereof, or in case of a foreign corporation or association of an officer or agent thereof, showing in detail all expenses paid, incurred or promised directly or indirectly in connection with legislation pending at the last previous session, with the names of the payees and the amount paid to each, including all disbursements paid, incurred or promised to counsel or agents, and also specifying the nature of said legislation and the interest of the person, firm, corporation or association therein. The provisions, however, of this section requiring docket entries shall not apply to duly accredited counsel or agents of counties, cities, towns, villages, public boards and public institutions. And the provisions hereof shall not be construed as affecting professional services in drafting bills or in advising clients and in rendering opinions as to the construction and effect of proposed or pending legislation where such professional service is not otherwise connected with legislative action. Every person, every member of any firm, and every association or corporation violating any provision of this section and every person causing or participating in a violation thereof shall be guilty of a misdemeanor and, in case of an individual, shall be punishable by imprisonment in

a penitentiary or county jail for not more than one year or by a fine of not more than one thousand dollars or by both, and, in case of an association or corporation, by a fine of not more than one thousand dollars. And in addition to the penalties hereinbefore imposed any corporation or association failing to file the statement of legislative expenses within the time required shall forfeit to the people of the state the sum of one hundred dollars per day for each day after the expiration of the two months within which such statement is required to be filed, to be recovered in an action to be brought by the attorney-general.

Penal Law. § 665. **Misconduct of directors, officers, agents and employees of corporations.**

A director, officer, agent or employee of any corporation or joint-stock association who:

1. Knowingly receives or possesses himself of any of its property otherwise than in payment for a just demand, and with intent to defraud, omits to make or to cause or direct to be made a full and true entry thereof in its books and accounts; or,

2. Makes or concurs in making any false entry, or concurs in omitting to make any material entry in its books or accounts; or,

3. Knowingly (a), concurs in making or publishing any written report, exhibit or statement of its affairs or pecuniary condition containing any material statement which is false, or (b), omits or concurs in omitting any statement required by law to be contained therein; or,

4. Having the custody or control of its books, wilfully refuses or neglects to make any proper entry in the stock book of such corporation as required by law, or to exhibit or allow the same to be inspected, and extracts to be taken therefrom by any person entitled by law to inspect the same, or take extracts therefrom; or,

5. If a notice of an application for an injunction affecting the property or business of such joint-stock association or corporation is served upon him, omits to disclose the fact of such service and the time and place of such application to the other directors, officers and managers thereof; or,

6. Refuses or neglects to make any report or statement lawfully required by a public officer,

Is guilty of a misdemeanor.

Penal Law. § 1200. **Rebates.**

Any person knowingly receiving any rebate or allowance or deduction from any premium, or any valuable thing, special favor or advantage whatever, as an inducement to take any policy of life insurance, not specified in the policy is guilty of a misdemeanor. No person shall be excused from attending and testifying, or producing any books, papers or other documents before any court or magistrate, upon any investigation, proceeding or trial, for a violation of any of the provisions of this section, upon the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to convict him of a crime or to subject him to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may so testify or produce evidence, documentary or otherwise, and no testimony so given or produced shall be received against him upon any criminal investigation or proceeding.

Penal Law. § 1627. **Contradictory statements under oath.**

In any prosecution for perjury the falsity of the testimony or statement set forth in the indictment shall be presumptively established by proof that the defendant has testified, declared, deposed or certified under oath to the contrary thereof in any other written testimony, declaration, deposition, certificate, affidavit or other writing by him subscribed.

From the Tax Law. § 187. **Franchise Tax on Insurance Corporations.**

An annual State tax for the privilege of exercising corporate franchises or for carrying on business in their corporate or organized capacity within this State equal to one per centum on the gross amount of premiums received during the preceding calendar year for business done at any time in this State, which gross amount of premiums shall include all premiums received during such preceding calendar year on all policies, certificates, renewals, policies subsequently canceled, insurance and reinsurance during such preceding calendar year, and all premiums that are received during such preceding calendar year on all policies, certificates, renewals, policies subsequently canceled, insurance and reinsurance executed, issued or delivered in all years prior to such preceding calendar year, whether such premiums were in the form of money, notes, credits, or any other substitute for money, shall be paid annually into the treasury of

the State, in the year nineteen hundred and five on or before July first, and in all subsequent years, on or before the first day of June by the following corporations:

1. Every domestic insurance corporation, incorporated, organized or formed under, by, or pursuant to a general or special law.

2. Every insurance corporation, incorporated, organized or formed under, by, or pursuant to the laws of any other State of the United States, and doing business in this State, except a corporation doing a fire insurance business or a marine insurance business.

3. Every insurance corporation, incorporated, organized or formed under, by, or pursuant to the laws of any State without the United States, or of any foreign country, except such a corporation doing a life, health or casualty insurance business, and doing business in this State; but the tax on gross premiums of a corporation so incorporated, organized or formed and doing a fire or marine insurance business within the State shall be equal to five-tenths of one per centum. This section does not apply to a fraternal beneficiary society, order or association, a corporation for the insurance of domestic animals, a town or county cooperative insurance corporation, nor to any corporation subject to the supervision of or required by or in pursuance of law to report to the superintendent of banks; but this section does apply to an individual, or partnership, or association of underwriters known as Lloyds in so far as corporations doing the same kind of insurance business are subject to its provisions. The taxes imposed by this section shall be in addition to all other fees, licenses or taxes imposed by this or any other law, except that in assessing taxes under the reciprocal provisions of section thirty-four of the Insurance Law, credit shall be allowed for any taxes paid under this section. The term insurance corporations as used in this article shall include a corporation, association, joint stock company or association, person, society, aggregation or partnership by whatever name known doing an insurance business in this State. (Thus amended by L. 1897, chap. 494, L. 1901, chap. 118, and L. 1905, chap. 94.)

FROM THE INSURANCE LAW OF MASSACHUSETTS.

Section 75. On and after January first, nineteen hundred and eight, no policy of life or endowment insurance shall be issued or delivered in this commonwealth until a copy of the form thereof has been filed at least thirty days with the insurance commissioner; nor if the insurance commissioner notifies the company in writing within said thirty days that in his opinion the form of said policy does not comply with the requirements of the laws of this commonwealth, specifying his reasons for his opinion: provided that this action of the insurance commissioner shall be subject to review by the supreme court of this commonwealth; nor shall such policy, except policies of industrial insurance where the premiums are payable monthly or oftener, be so issued or delivered unless it contains in substance the following provisions:

1. A provision that the insured is entitled to a grace of thirty days within which the payment of any premium after the first year may be made, subject at the option of the company to an interest charge not in excess of six per cent. per annum for the number of days of grace elapsing before the payment of the premium, during which period of grace the policy shall continue in full force, but in case the policy becomes a claim during the said period of grace before the overdue premium or the deferred premiums of the current policy year if any are paid, the amount of such premiums with interest on any overdue premium may be taken from the face of the policy in settlement.

2. A provision that the policy shall be incontestable after two years from its date of issue except for non-payment of premiums and for engaging in military or naval service in time of war without the consent in writing of an executive officer of the company.

3. A provision that the policy and the application therefor shall constitute the entire contract between the parties and that all statements made by the insured shall, in the absence of fraud, be deemed representations and not warranties and that no such statement shall be used in defence to a claim under the policy unless it is contained in a written application and a copy of such application shall be endorsed upon or attached to the policy when issued.

4. A provision that if the age of the insured has been understated the amount payable under the policy shall be such as the premium would have purchased at the correct age.

5 A provision that the policy shall participate in the surplus of the company annually, beginning not later than the end of the third policy year.

6. A provision specifying the options to which the policy-holder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid.

7. A provision that not later than the third anniversary of the policy the holder of the policy shall, upon a proper assignment thereof to the company, be entitled to borrow of the company on the sole security of the policy a sum not more than ninety-five per cent. of the cash surrender value thereof, less any indebtedness to the company, at a rate of interest not exceeding six per cent. Said provision shall include such other conditions as, in conformity to the laws of Massachusetts, the company will impose when the application for the loan is made.

8. A table showing in figures the loan values, if any, and the options available under the policy each year upon default in premium payments, during at least twenty years of the policy, beginning with the year in which such values and options first become available.

9. In case the proceeds of a policy are payable in instalments or as an annuity, a table showing the amounts of the instalment and annuity payments.

10. A provision that the holder of a policy shall be entitled to have the policy reinstated at any time within three years from the date of default unless the cash value has been duly paid or the extension period expired, upon the production of evidence of insurability satisfactory to the company and the payment of all overdue premiums and any other indebtedness to the company upon said policy with interest at the rate of not exceeding six per cent. per annum.

Any of the foregoing provisions or portions thereof not applicable to single premium or non-participating or term policies shall to that extent not be incorporated therein, and paragraph seven shall not apply to foreign companies.

POSTSCRIPT.

Amendments to Insurance Law, State of New York, in 1911:

Section 16, amended to make it lawful for a domestic life insurance company to purchase and hold its own capital stock.

Section 22, amended to read as follows:

§ 22. **Reinsurance.** Every insurance corporation doing business in this state may reinsure the whole or any part of any policy obligation in any other insurance corporation; provided that if any domestic insurance corporation, other than a life insurance corporation, shall reinsure or determine to reinsure substantially all its risks, such reinsurance shall be submitted in advance to, and have the approval of, the superintendent of insurance, and provided, further, that no domestic life insurance company shall reinsure its whole risk on any individual life except by permission of the superintendent of insurance, but may reinsure any portion of an individual risk and receive credit for the reserve on any policy covering a risk reinsured if the reinsuring corporation is authorized to transact business in this state, and may also receive credit for taxes on the premiums paid on any such policy. Nothing in this chapter contained shall be construed as permitting the reinsurance of a life insurance corporation having over two hundred and fifty million dollars of insurance outstanding and in force. When a reinsurance agreement is made between other than life insurance corporations, the parties to such agreement shall, upon the policies involved, compute their unearned premium funds as follows: The reinsuring or ceding corporation shall, upon the portion of its liability not reinsured, maintain a reserve to be computed in accordance with section one hundred and eighteen of the insurance law; the corporation assuming liability by reinsurance from the corporation issuing the original policy shall maintain a reserve equal to that which the reinsuring corporation would have been required to maintain upon the amount reinsured had it retained the liability ceded by it. No credit of any kind shall be allowed or given, either as a reduction of taxes or liabilities, to any corporation transacting business in this state, for reinsurance made in corporations not authorized to issue policies in this state. The superintendent of insurance shall require schedules of reinsurance to be filed by each corporation at the time of making its annual report to the department.

Section 96, amended by inserting the words "policies of reinsurance and" after the words "insurance issued", in line 2, page 128 of this book.

Section 101, amended by adding the words—"The provisions of this section shall not apply to policies of reinsurance."

ITEMS FROM NEW-YORK LIFE'S ANNUAL REPORT FOR 1908.

I.—CAPITAL STOCK.

1.	Amount of Capital paid up in cash....................	0	
2.	Amount of ledger Assets (as per balance), December 31, of previous year..............................	$503,681,718.38	
3.	crease of Capital during the year.................	0	
4.	Extended at..............................		$503,681,718.38

II.—INCOME.

5.	First year's premiums on original policies without deduction for commissions or other expenses, less $ 0 for first year's re-insurance........................	$5,424,856.35	
6.	Surrender values applied to pay first year's premiums.	0	
7.	**Total first year's premiums on original policies.**	**$5,424,856.35**	
8.	Dividends applied to purchase paid-up additions and annuities	479,212.80	
9.	Surrender values applied to purchase paid-up insurance and annuities	0	
10.	Consideration for original annuities involving life contingencies	436,221.51	
11.	Consideration for supplementary contracts involving life contingencies	48,821.00	
12.	**Total new premiums**		**6,389,111.66**
13.	Renewal premiums (in addition to items 14, 15 and 16) without deduction for commissions or other expenses, less $125,393.77 for re-insurance on renewals,	$71,331,005.25	
14.	Dividends applied to pay renewal premiums..........	699,996.44	
15.	Surrender values applied to pay renewal premiums....	16,611.55	
16.	Renewal premiums for deferred annuities............	22,200.40	
17.	**Total renewal premiums**.................................		**72,069,813.64**
18.	**Total premium income**		**$78,458,925.30**
19.	(A) Consideration for supplementary contracts not involving life contingencies		272,954.78
20.	Dividends left with the Company to accumulate at interest		1,258.65
21.	Ledger Assets, other than premiums, received from other companies for assuming their risks		0
22.	Gross interest on mortgage loans...................	$2,363,915.99	
23.	Gross interest on collateral loans per Sched. C........	34,861.11	
24.	Gross interest on bonds, less $192,123.19 accrued interest on bonds acquired during 1908, per Schedule D..	15,238,937.53	
25.	Gross interest on premium notes, policy loans or liens.	1,414,464.94	
26.	Gross interest on deposits in trust companies and banks	264,222.12	
27.	Gross interest on other debts due the Company......	2,378.44	
28.	Gross Discount on claims paid in advance...........	667.18	
29.	Gross Rent from Company's property, including $267,845.22 for Company's occupancy of its own buildings per Schedule A................................	1,032,739.55	
30.	**Total gross interest and rents**............................		**23,352,186.86**
31.	From other sources, (give items and amounts):		
32.	Commissions advanced in previous years now repaid..	$50,346.35	
33.	Policy Fees	30,539.29	
34.	Award from City of New York for damages	35,125.00	
35.	Doubtful debts recovered	10,713.75	
36.	....		126,724.39

37.	From agents' balances previously charged off........		0
38.	Gross Profit on sale or maturity of ledger assets, viz.:		
	(a) Real estate per Schedule A....................	$8,375.78	
	(b) Bonds per Schedule D........................	19,154.35	
	(c) Stocks per Schedule D........................	0	
			$27,530.13
39.	Gross increase by adjustment in book value of ledger assets, viz.:		
	(a) Real estate per Schedule A....................	0	
	(b) Bonds per Schedule D........................	$196,414.18	
	(c) Stocks per Schedule D........................	0	
			196,414.18
40.	**Total Income**		**$102,435,994.29**
41.	**Amount carried forward**.................................		**$606,117,712.67**

III.—DISBURSEMENTS.

1.	(a) For death claims (less $10,193.29 re-insurance), $21,096,339.09; additions, $1,034,951.68..............	$22,131,290.77	
2.	(a) For matured endowments (less 0 re-insurance), $6,304,539.45; additions, $155,981.12................	6,460,520.57	
3.	**Net amount paid for losses and matured endowments**	**$28,591,811.34**	
4.	For annuities involving life contingencies............	1,739,250.24	
5.	Premium notes, and liens voided by lapse...........	0	
6.	Surrender values paid in cash or applied in liquidation of loans or notes................................	12,801,190.82	
7.	Surrender values applied to pay new premiums (see Income No. 6) $ 0 ; to pay renewal premiums (see Income No. 15) $16,611.55.........................	16,611.55	
8.	Surrender values applied to purchase paid-up insurance and annuities (see Income No. 9).............	0	
9.	Dividends paid to policy-holders in cash or applied in liquidation of loans or notes......................	4,861,926.56	
10.	Dividends applied to pay renewal premiums (see Income No. 14)	699,996.44	
11.	Dividends applied to purchase paid-up additions and annuities (see Income No. 8).....................	479,212.80	
12.	Dividends left with the Company to accumulate at interest (see Income No. 20)......................	1,258.65	
13.	**(Total paid policy-holders, $49,191,258.40.)**		
14.	Expense of investigation and settlement of policy-claims, including $22,811.16 for legal expense	28,994.02	
15.	Paid for claims on supplementary contracts not involving life contingencies	154,801.80	
16.	Dividends held on deposit surrendered during the year $ 0 ; Interest thereon $ 0	0	
17.	Paid stockholders for interest or dividends...........	0	
18.	Commissions to agents (less commission on re-insurance); first year's premiums, $2,434,531.10; renewal premiums, $987,740.58; annuities (original), $12,960.83, (renewal), $17.19.............................	3,435,249.70	
19.	Commuted renewal commissions	82,746.41	
20.	Salaries and allowances for agencies, including managers, agents and clerks	1,630,045.04	
21.	Agency supervision, traveling, and all other agency expenses	392,222.27	
22.	Medical examiners' fees, $238,007.64; inspection of risks, $62,690.01	300,697.65	
23.	Salaries and all other compensation of officers, directors, trustees and Home Office employees...........	1,401,672.08	
24.	Rent, including $267,845.22 for Company's occupancy of its own buildings, less $21,276.34 received under sub-lease		545,838.66

(A) Including commuted value of instalments or other benefits not payable at the time of death or maturity of endowments, such commuted value being entered also under No. 1 or 2 of Disbursements.

(a) Including commuted value of supplementary contracts—see No. 19 of Income.

25.	Advertising, $67,594.27; printing and stationery, $196,375.34; postage, telegraph, telephone and express, $210,568.22; exchange, $60,330.07		$534,867.90
26.	Legal expense not included in item 14		35,233.37
27.	Furniture, fixtures and safes		86,623.98
28.	Repairs and expenses (other than taxes) on real estate		296,506.97
29.	Taxes on real estate		168,697.83
30.	State taxes on premiums		788,280.19
31.	Insurance Department licenses and fees		16,849.95
32.	All other licenses, fees and taxes (give items and amounts): Local licenses and taxes	$64,874.45	
33.	Tax on policy reserve	37,792.55	
34.	Miscellaneous taxes	18,023.56	
35.	Income tax on interest receipts	17,639.52	
			138,330.08
36.	Other disbursements (give items and amounts):		
37.	Commissions advanced	$7,081.93	
38.	Paid agents under Nylic contracts	494,882.03	
39.	Restaurant, $37,339.23; Premiums on Fidelity Bonds, $8,700.49; custody of securities, $14,993.07; papers, books, subscriptions, $9,913.84; legislative and departmental expenses, $12,710.07; Association of Life Insurance Presidents, not including amount paid them for legislative expenses, $14,535.32; expenses Trustees' election, 1908, $9,151.25; expenses Trustees' election, 1909, $25,584.77; miscellaneous interest payments, $8,378.42; inspection reports not in connection with new business, $1,502.84; executive committee miscellaneous expenses, $168.24; examination of Company by New York State Insurance Department, $18,925.03; miscellaneous items of expense, $16,846.02	178,748.59	
40.	Doubtful debts marked off	19,880.82	
			700,593.37
41.			
42.	*		
43.	Agents' balances charged off		0
44.	Gross loss on sale or maturity of ledger assets, viz.:		
	(a) Real Estate, per Schedule A	$180.00	
	(b) Bonds, per Schedule D	161.69	
	(c) Stocks, per Schedule D	0	
			341.69
45.	Gross decrease by adjustment in book value of ledger assets, viz.:		
	(a) Real Estate, per Schedule A	$4,394.80	
	(b) Bonds, per Schedule D	237,763.09	
	(c) Stocks, per Schedule D	0	
			242,157.89
46.	**Total Disbursements**		**$60,172,009.25**
47.	**Balance**		**$545,945,703.42**

IV.—LEDGER ASSETS.

1.	Book value of Real Estate, per Schedule A	$12,645,993.97
2.	Mortgage Loans on Real Estate, per Schedule B, first liens, $58,706,413.36 (other than first liens, $ 0)	58,706,413.36
3.	Loans secured by pledge of Bonds, per Schedule C	500,000.00
4.	Loans made to policy-holders on this Company's policies assigned as collateral	82,631,137.09
5.	Premium notes on policies in force, of which $ 0 is for first year's premiums	4,685,504.35
6.	Book Value of Bonds, $377,518,182.19 and stocks, $ 0 , per Schedule D	377,518,182.19
7.	Cash in Company's office	10,085.54
8.	Deposits in trust companies and banks, not on interest	1,579,417.61
9.	Deposits in trust companies and banks, on interest	7,553,918.45

10.	Bills receivable, $ 0 ; agents' balances, (debit, $ 0 , credit, $ 0); net, $ 0 ; Branch Office balances, debit, $134,341.02, credit, $133,049.32: net $1,291.70		$1,291.70	
11.	Cash in Company's Branch Offices		113,759.16	
12.	**Total Ledger Assets, as per balance on page preceding**			$545,945,703.42

NON-LEDGER ASSETS.

13.	Interest due, $112,871.67 and accrued, $372,961.50 on Mortgages, per Schedule B			$485,833.17	
14.	Interest due, $144,636.69 and accrued, $5,149,716.57 on Bonds, per Schedule D, Part 1			5,294,353.26	
15.	Interest due, $ 0 and accrued, $20,000 on Collateral Loans, per Schedule C, Part 1			20,000.00	
16.	Interest due, $ 0 and accrued, $211,997.20 on Premium Notes, Policy Loans or Liens			211,997.20	
17.	Interest due, $ 0 and accrued, $34,042.79 on other Assets			34,042.79	
18.	Rents due, $6,415.10 and accrued, $10,205.32 on Company's property or lease			16,620.42	
19.	**Total interest and rents due and accrued**				$6,062,846.84
20.	Market value of Real Estate, over book value, per Schedule A				0
21.	Market value (not including interest in item 14) of Bonds and stocks over book value, per Schedule D				0
22.	Due from other Companies for losses or claims on policies of this Company reinsured				0
		(1) New Business.	(2) Renewals		
23.	Gross premiums due and unreported on policies in force Dec. 31, 1908	$83,118.49	$4,726,256.10		
24.	Gross deferred premiums on policies in force Dec. 31, 1908	330,770.00	4,745,179.00		
25.	Totals	$413,888.49	$9,471,435.10		
26.	Deduct loading, 25 per cent	103,472.12	2,367,858.78		
27.	Net amount of uncollected and deferred premiums	$310,416.37	$7,103,576.32		$7,413,992.69
28.	All other Assets (give items and amounts):				
29.					
30.					
31.					
32.					
33.	**Gross Assets**				$559,422,542.95

DEDUCT ASSETS NOT ADMITTED.

34.	Company's stock: owned, 0 ; loans on, 0 ....$	0	
35.	Supplies, stationery, printed matter, $ 0 ; furniture, fixtures and safes, $ 0	0	
36.	Commuted commissions, $ 0 ; agents' debit balances, $ 0	0	
37.	Cash advanced to or in the hands of officers or agents.	0	
38.	Loans on personal security, endorsed or not, $ 0 ; bills receivable, $ 0	0	
39.	Premium notes and loans on policies and net premiums in item 27 in excess of the net value of their policies	0	
40.	Book value of Ledger Assets over market value, viz.: on Bonds	2,001,531.17	
41.	Branch Office debit balances	134,341.02	2,135,872.19
42.			
43.	**Admitted Assets**		$557,286,670.76

V.—LIABILITIES.

Net present value of all the outstanding policies in force on the 31st day of December, 1908, as computed by the Insurance Department of the State of New York on the following tables of mortality and rates of interest, viz.:

1. Actuaries' table at 4 per cent. on issues prior to 1901, except those bearing 3% guarantees	$199,015,041.00	
Same for reversionary additions	0	
		$199,015,041.00
2. American Experience table at 3 per cent. on insurances bearing 3% guarantees	$173,914,429.00	
Same for reversionary additions	69,356.00	
		173,983,785.00
3. American Experience table at 3½% on issues cf 1901 and since, except those bearing 3% guarantees	$3,898,763.00	
Same for reversionary additions	2,401,884.00	
		6,300,647.00
4. Other tables and rates, viz.:		
Double American Experience table at 3% on tropical insurances and those on impaired lives	$33,905,246.00	
Same for reversionary additions	133,137.00	
		34,038,383.00
Sesqui American Experience table at 3 per cent. on semi-tropical insurances and those on partially impaired lives	$30,282,919.00	
Same for reversionary additions	20,283 00	
		30,303,202.00
5. Net present value of annuities (including those in reduction of premiums). Give tables and rates of interest, viz :		
Actuaries' table at 4 per cent. on issues prior to 1901	$8,018,394.00	
American Experience table at 3 per cent. on issues of 1901 to 1906, inclusive	6,653,550.00	
McClintock's Annuity table, 3½ per cent. on issues of 1907-1908	1,039,078.00	
		15,711,022.00
Total		$459,352,080.00
6. Deduct net value of risks of this Company reinsured in other solvent companies		142,669.00
		$459,209,411.00
7. Reserve to provide for health and accident benefits contained in life policies		0
8. **Net Reserve**		**$459,209,411.00**
9. Present value of amounts not yet due on supplementary contracts not involving life contingencies, computed by the Company		$2,319,830.24
10. Liability on policies canceled and not included in "Net Reserve" upon which a surrender value may be demanded		267,687.36
11. Claims for Death Losses due and unpaid	0	
12. Claims for Death Losses in process of adjustment cr adjusted and not due	$765,446.13	
13. Claims for Death Losses which have been reported and no proofs received	1,888,427.63	
14. Claims for Matured Endowments due and unpaid	328,881.10	
15. Claims for Death Losses and other Policy Claims resisted by the Company	231,780.62	
16. Due and unpaid on Annuity Claims, involving life contingencies	141,435.83	
17. **Total Policy Claims**		$3,355,971.31
18. Due and unpaid on supplementary contracts not involving life contingencies		$199.38
19. Dividends left with the Company to accumulate at interest, $1,258.65, and accrued interest thereon $18.87		1,277.52

20.	Premiums paid in advance, including surrender values so applied	$812,888.13
21.	Unearned interest and rent paid in advance: Premium Notes, $86,732.23; Policy Loans, $1,856,275.61; Real Estate, $7,234.87	1,950,242.71
22.	Commissions due to agents on premium notes when paid	48,648.60
23.	Commissions to agents, due or accrued	10,511.22
24.	"Cost of Collection" on uncollected and deferred premiums, in excess of the loading thereon	0
25.	Salaries, rents, office expenses, bills and accounts, due or accrued	161,324.86
26.	Medical Examiners', Inspectors' and legal fees, due or accrued	28,825.03
27.	State, County and Municipal taxes, due or accrued	762,673.63
28.	Advances by officers or others on account of expenses of organization or otherwise	0
29.	Borrowed money and interest thereon	0
30.	Unpaid dividends to stockholders	0
31.	Dividends or other profits due policy-holders, including those contingent on payment of outstanding and deferred premiums	412,617.76
32.	Dividends declared on or apportioned to **annual dividend** policies payable to policy-holders during 1909, whether contingent upon the payment of renewal premiums or otherwise	1,665,027.00
33.	Dividends declared on or apportioned to **deferred dividend** policies payable to policy-holders during 1909	5,937,878.16
34.	Amounts set apart, apportioned, provisionally ascertained, calculated, declared or held awaiting apportionment upon **deferred dividend** policies, not included in Item 33	67,181,561.00
35.	Reserve or surplus funds not otherwise included in Liabilities (give items and amounts separately, and state for what purpose each of said funds is held), consisting of additional Reserve on policies which the Company voluntarily sets aside in excess of the State's requirements, $3,129,402; War Risk Fund, $501,000; Mortality Fluctuation Fund, $500,000; Security Fluctuation and General Contingency Fund, $7,945,842.84	12,076,244.84
36.		
37.		
38.		
39.	All other liabilities (give items and amounts):	
40.	Reserve for death-claims not yet reported at Home Office	500,000.00
41.	Due agents under Nylic contracts	26,770.01
42.	Reserve for Nylic contracts	557,081.00
43.		
44.	Capital Stock	0
45.	Unassigned funds (surplus)	0
46.	**Total Liabilities**	$557,286,670.76

ITEMS FROM NEW-YORK LIFE'S ANNUAL REPORT FOR 1910.

I.—CAPITAL STOCK.

1.	Amount of Capital paid up in cash......$ 0		
2.	Amount of ledger Assets (as per balance), December 31, of previous year	$589,604,609.41	
3.	....crease of Capital during the year	0	
4.	Extended at		$589,604,609.41

II.—INCOME.

5.	First year's premiums on original policies without deduction for commissions or other expenses, less $ 0 for first year's re-insurance	$6,516,105.78	
6.	Surrender values applied to pay first year's premiums	0	
7.	Total first year's premiums on original policies	6,516,105.78	
8.	Dividends applied to purchase paid-up additions and annuities	706,568.69	
9.	Surrender values applied to purchase paid-up insurance and annuities	0	
10.	Consideration for original annuities involving life contingencies	496,109.05	
11.	Consideration for supplementary contracts involving life contingencies	271,155.70	
12.	Total new premiums		7,989,939.22
13.	Renewal premiums (in addition to items 14, 16 and 17) without deduction for commissions or other expenses, less $107,287.44 for re-insurance on renewals	70,395,669.03	
14.	Dividends applied to pay renewal premiums	1,899,486.68	
15.	Dividends applied to shorten the endowment or premium paying period	0	
16.	Surrender values applied to pay renewal premiums	29,775.99	
17.	Renewal premiums for deferred annuities	38,540.46	
18.	Total renewal premiums		72,363,472.16
19.	Total premium income		80,353,411.38
20.	(A) Consideration for supplementary contracts not involving life contingencies		160,060 51
21.	Dividends left with the Company to accumulate at interest		44,896.64
22.	Ledger assets, other than premiums, received from other companies for assuming their risks		0
23.	Gross interest on mortgage loans, per Schedule B, less $ 0 accrued interest on mortgages acquired during 1910	3,481,947.10	
24.	Gross interest on collateral loans, per Schedule C	0	
25.	Gross interest on bonds, less $124,941.99 accrued interest on bonds acquired during 1910, per Schedule D	16,891,258.92	
26.	Gross interest on premium notes, policy loans or liens	5,218,630.98	

(A) Including commuted value of instalments or other benefits not payable at the time of death or maturity of endowments, such commuted value being entered also under No. 1 or 2 of Disbursements.

27.	Gross interest on deposits in trust companies and banks	$276,951.35		
28.	Gross interest on other debts due the Company (give items and amounts):			
29.	Interest Agents' Accounts	1,996.29		
30.				
31.	Gross discount on claims paid in advance	8,339.33		
32.	Gross rent from Company's property, including $275,534.93 for Company's occupancy of its own buildings, per Schedule A	918,173.83		
33.	Total gross interest and rents		26,797,297.80	
34.	From other sources (give items and amounts):			
35.	Commissions advanced in previous years now repaid	73,428.62		
36.	Policy fees	37,012.43		
37.	Doubtful debts recovered	1,025.94		
38.	Exchange	19,164.26	130,631.25	
39.				
40.	From Agents' balances previously charged off		0	
41.	Gross profit on sale or maturity of ledger assets, viz.:			
	(a) Real Estate, per Schedule A	7,065.66		
	(b) Bonds, per Schedule D	52,695.47		
	(c) Stocks, per Schedule D	0	59,761.13	
42.	Gross increase, by adjustment, in book value of ledger assets, viz.:			
	(a) Real Estate, per Schedule A	0		
	(b) Bonds, per Schedule D (including $189,535.41 for accrual of discount)	440,482.93		
	(c) Stocks, per Schedule D	0	440,482.93	
43.	Total Income			$107,986,541.64
44.	Amount carried forward			$697,591,151.05

III.—DISBURSEMENTS.

1.	(a) For death claims (less $199,485.35 re-insurance), $22,787,698.24; additions, $938,436.29	$23,726,134.53	
2.	(a) For matured endowments (less $ 0 re-insurance), $6,433,670.97; additions, $35,159.60	$6,468,830.57	
3.	Net amount paid for losses and matured endowments		$30,194,965.10
4.	For annuities involving life contingencies		1,659,508.48
5.	Premium notes and liens voided by lapse, less $ 0 restorations		0
6.	Surrender values paid in cash or applied in liquidation of loans or notes		13,054,871.09
7.	Surrender values applied to pay new premiums (see Income No. 6), $ 0 ; to pay renewal premiums (see Income No. 16), $29,775.99		29,775.99
8.	Surrender values applied to purchase paid-up insurance and annuities (see Income No. 9)		0
9.	Dividends paid to policy-holders in cash or applied in liquidation of loans or notes		5,974,370.47
10.	Dividends applied to pay renewal premiums (see Income No. 14)		1,899,486.68
11.	Dividends applied to shorten the endowment or premium paying period (see Income No. 15)		0

(a) Including commuted value of supplementary contracts—see No. 20 of Income.

12. Dividends applied to purchase paid-up additions and annuities (see Income No. 8)		$706,568.69
13. Dividends left with the Company to accumulate at interest (see Income No. 21)		44,896.64
14. (Total paid policy-holders, $53,564,443.14)		
15. Expense of investigation and settlement of policy claims including $32,276.02, for legal expense		38,935.97
16. Paid for claims on supplementary contracts not involving life contingencies		175,078.07
17. Dividends and interest thereon held on deposit surrendered during the year		3,179.13
18. Paid stockholders for interest or dividends		0
19. Commissions to agents (less commission on re-insurance): First year's premiums, $2,915,193.71; renewal premiums, $1,307,238.62; annuities (original), $22,435.54 (renewal), $872.85		4,245,740.72
20. Commuted renewal commissions		3,102.00
21. Compensation of managers and agents not paid by commission for services in obtaining new insurance		20,335.65
22. Agency supervision and traveling expenses of supervisors (except compensation for Home Office supervision)		955,553.39
23. Branch Office expenses, including salaries of managers and clerks not included in item 21		1,001,791.71
24. Medical examiners' fees, $255,649.94; inspection of risks, $65,824.33		321,474.27
25. Salaries and all other compensation of officers, directors, trustees and Home Office employees		1,581,628.88
26. Rent, including $275,534.93 for Company's occupancy of its own buildings, less $8,284.97 received under sublease		526,744.12
27. Advertising, $66,477.34; printing and stationery, $191,706.24; postage, telegraph, telephone and express, $201,974.34; exchange, $ 0		460,157.92
28. Legal expense not included in item 15		14,687.99
29. Furniture, fixtures and safes		59,452.97
30. Repairs and expenses (other than taxes) on real estate		217,297.90
31. Taxes on real estate		146,491.54
32. State taxes on premiums		803,394.06
33. Insurance Department licenses and fees		14,117.26
34. All other licenses, fees and taxes (give items and amounts):		
35. Local licenses and taxes	$72,384.96	
36. Tax on policy reserves, $42,404.72; Federal Income Tax, $106,411.02	148,815.74	
37. Miscellaneous taxes (including $5,406.99 income tax on interest receipts)	35,250.77	256,451.47
38. Other disbursements (give items and amounts):		
39. Paid agents under Nylic contracts	$509,099.84	
40. Doubtful debts marked off	9,619.18	
41. Premium on Fidelity Bonds, $8,771.75; Special Inspection Reports, $4,103.29; Restaurant, $43,393.85; Custody of Securities, $21,506.39; Papers, Books, Subscriptions, etc., $9,337.90; Legislative and Departmental Expenses, $4,340.21; Expenses Trustees' Election, 1911, $27,934.07; Traveling Expenses not included in Item 22, $15,255.95; Miscellaneous Items of Expense, $16,752.86	151,396.27	670,115.29
42. Commissions paid on real estate sales		775.00
43. Miscellaneous Interest Payments, $3,085.21; Bank charges, $18,835.44		21,920.65
44.		
45. Agents' balances charged off		0

46. Gross loss on sale or maturity of ledger assets, viz.:
   (a) Real Estate, per Schedule A...... $6,932.14
   (b) Bonds, per Schedule D.......... 73,830.54
   (c) Stocks, per Schedule D.......... 0
   (d) Bond and Mortgage per Schedule B 239.44 81,002.12

47. Gross decrease, by adjustment, in book value of ledger assets, viz.:
   (a) Real Estate, per Schedule A..... 0
   (b) Bonds, per Schedule D (including $276,027.55 for amortization of premiums) $1,205,005.28
   (c) Stocks, per Schedule D.......... 0 1,205,005.28

48. **Total Disbursements** $66,388,876.50

49. Balance $631,202,274.55

IV.—LEDGER ASSETS.

1. Book value of Real Estate, per Schedule A............ $11,554,601.09
2. Mortgage Loans on Real Estate, per Schedule B, first liens, $92,523,123.00; other than first liens, $ 0 ... 92,523,123.00
3. Loans secured by pledge of bonds, per Schedule C.... 200,000.00
4. Loans made to policy-holders on this Company's policies assigned as collateral 99,737,917.78
5. Premium Notes on policies in force, of which $ 0 is for first year's premiums.......................... 4,578,992.59
6. Book value of bonds, $413,530,908.58 and stocks, $ 0 , per Schedule D 413,530,908.58
7. Cash in Company's office............... $3,651.49
8. Deposits in trust companies and banks, not on interest 1,340,273.58
9. Deposits in trust companies and banks, on interest 7,560,704.77 8,904,629.84
10. Bills receivable, $ 0 ; agents' balances (debit, $ 0 , credit, $ 0); net, $ 0 . Branch Office balances, debit, $67,204.73, credit, $49,757.71; net, $17,447.02... 17,447.02
11. Cash in Company's Branch Offices, $150,953.28; Cash in Transit, $3,701.37 .... 154,654.65

12. **Total Ledger Assets, as per balance above**................ $631,202,274.55

NON-LEDGER ASSETS.

13. Interest due, $15,567.50 and accrued, $799,396.24 on Mortgages, per Schedule B........................ $814,963.74
14. Interest due, $542,394.62 and accrued, $5,642,617.81 on Bonds, per Schedule D, Part 1..................... 6,185,012.43
15. Interest due, $ 0 and accrued, $244.44 on Collateral Loans, per Schedule C, Part 1..................... 244.44
16. Interest due, $ 0 and accrued, $237,318.63 on Premium Notes, Policy Loans or Liens.................. 237,318.63
17. Interest due and accrued, on other Assets (give items and amounts):
18. Interest due, $13,568.40 and accrued, $12,698.03 on Bank Balances 26,266.43
19.
20. Rents due, $4,455.96 and accrued, $5,281.39 on Company's property or lease........................... 9,737.35

21. Total interest and rents due and accrued 7,273,543.02
22. Market value of Real Estate over Book Value, per Schedule A 0
23. Market value (not including interest in item 14), of Bonds and Stocks over book value, per Schedule D.. 0
24. Due from other companies for losses or claims on policies of this Company, reinsured..................... 0

		(1) New Business.	(2) Renewals	
25.	Gross premiums due and unreported on policies in force December 31, 1910 (less re-insurance premiums)........	$80,914.22	$4,428,395.67	
26.	Gross deferred premiums on policies in force December 31, 1910 (less re-insurance premiums)	370,404.00	4,877,031.00	
27.	Totals	$451,318.22	$9,305,426.67	
28.	Deduct loading, 25%	112,829.55	2,326,356.67	
29.	Net amount of uncollected and deferred premiums	$338,488.67	$6,979,070.00	$7,317,558.67
30.	All other Assets (give items and amounts):			
31.	....			
32.	....			
33.	....			
34.	....			
35.	Gross Assets			$645,793,376.24

DEDUCT ASSETS NOT ADMITTED.

36.	Company's stock owned, $ 0 ; loans on, $ 0	$ 0	
37.	Supplies, stationery, printed matter, $ 0 , furniture, fixtures and safes, $ 0	0	
38.	Commuted commissions, $ 0 ; agents' debit balances, gross, $ 0	0	
39.	Cash advanced to or in the hands of officers or agents.	0	
40.	Loans on personal security, endorsed or not, $ 0 ; bill receivable, $ 0	0	
41.	Premium Notes and loans on policies and net premiums in item 29 in excess of the net value of their policies	0	
42.	Book value of Ledger Assets over market value, viz., on Bonds	7,849,604.37	
43.	Branch office debit balances.........................	67,204.73	
44.	....		7,916,809.10
45.	Admitted Assets		$637,876,567.14

V.—LIABILITIES, SURPLUS AND OTHER FUNDS.

	Net present value of all the outstanding policies in force on the 31st day of December, 1910, as computed by the Insurance Department of the State of New York on the following tables of mortality and rates of interest, viz.:		
1.	Actuaries' table at per cent. on	0	
	Same for reversionary additions...	0	0
2.	American Experience table at 3 per cent. On general risks: all policies issued 1898 and since; all insurances bearing 3 per cent. guarantees; Free Tontine Ordinary Life policies issued 1892 and since; Accumulation policies having completed their Accumulation period; all Annual Dividend policies; all paid-up Term Extension insurance, and Premium Return additions...........	$332,884,598	
	Same for reversionary additions...	2,939,784	$335,824,382

3. American Experience table at 3½ per cent. on all other insurances except those specified under 4	$101,771,822		
Same for reversionary additions	0	101,771,822	
4. Other tables and rates, viz.:			
Double American Experience table at 3 per cent. on tropical insurances and those on impaired lives	$38,067,758		
Same for reversionary additions	115,844	38,183,602	
Sesqui American Experience table at 3 per cent. on semi-tropical insurances and those on partially impaired lives	$36,590,319		
Same for reversionary additions	48,133	36,638,452	
Reserve to cover contingent waiver of premium contained in certain policies, based upon Fraternal experience and 3%		3,820	
5. Net present value of annuities (including those in reduction of premiums). Give tables and rates of interest, viz.:			
McClintock's Annuity table, 3½ per cent. on issues prior to 1909	15,020,441		
McClintock's Annuity table, 3 per cent. on issues of 1909 and subsequent	916,366	15,936,807	
Total		$528,358,885	
6. Deduct net value of risks of this Company re-insured in other solvent companies		136,756	
		$528,222,129	
7. Reserve to provide for health and accident benefits contained in life policies		0	
8. Net Reserve (Paid-for basis)			$528,222,129.00
9. Present value of amounts not yet due on supplementary contracts **not** involving life contingencies, computed by the Company			2,460,909.25
10. Liability on policies canceled and not included in "net reserve" upon which a surrender value may be demanded			292,735.33
11. Claims for Death-Losses due and unpaid		0	
12. Claims for Death-Losses in process or adjustment, or adjusted and not due		$981,038.38	
13. Claims for Death-Losses which have been reported and no proofs received		1,865,704.03	
14. Claims for Matured Endowments due and unpaid		345,585.03	
15. Claims for Death-Losses and other Policy Claims resisted by the Company		278,395.89	
16. Due and unpaid on Annuity Claims involving life contingencies		136,960.23	
17. Total Policy Claims			3,607,683.56
18. Due and unpaid on supplementary contracts **not** involving life contingencies			840.07
19. Dividends left with the Company to accumulate at interest, and accrued interest thereon			61,160.65
20. Premiums paid in advance, including surrender values so applied			732,075.74
21. Unearned interest and rent paid in advance			2,355,148.75
22. Commissions due to agents on premium notes when paid			46,792.50
23. Commissions to agents, due or accrued			10,611.89
24. "Cost of Collection" on uncollected and deferred premiums, in excess of the loading thereon			0
25. Salaries, rents, office expenses, bills and accounts due or accrued			71,198.81
26. Medical Examiners' fees and salaries, $16,587.43, and legal fees and salaries, $10,066.35; due or accrued			26,653.78

27.	State, County and Municipal taxes due or accrued	$906,465.93
28.	Advances by officers or others on account of expenses of organization or otherwise	0
29.	Borrowed money, $ 0 , and interest thereon, $ 0	0
30.	Unpaid dividends to stockholders	0
31.	Dividends or other profits due policy-holders, including those contingent on payment of outstanding and deferred premiums	798,696.34
32.	Dividends declared on or apportioned to **annual dividend** policies payable to policy-holders during 1911, whether contingent upon the payment of renewal premiums or otherwise	3,390,239.00
33.	Dividends declared on or apportioned to **deferred dividend** policies payable to policy-holders during 1911	5,720,377.37
34.	Amounts set apart, apportioned, provisionally ascertained, calculated, declared or held awaiting apportionment upon **deferred dividend** policies, not included in Item 33	77,545,164.00
35.	Reserve, special or surplus funds not included above (give items and amounts separately, and state for what purpose each of said funds is held), War risk fund, $501,395; Security Fluctuation and General Contingency fund, $8,438,334.30; Mortality Fluctuation Fund, $500,000; Annual Dividend Equalization Funds, $387,532	9,827,261 30
36.		
37.		
38.		
39.	All other liabilities (give items and amounts):	
40.	Due agents under Nylic contracts	1,641.87
41.	Reserve for Nylic contracts	1,293,782.00
42.	Reserve for death claims not yet reported to Home Office	500,000.00
43.	Reserve for unclaimed receipts	5,000.00
44.	Capital Stock	0
45.	Unassigned funds (surplus)	0
46.	**Total**	**$637,876,567.14**